Inmet Mining Annual Report 2003

INMET
MINING

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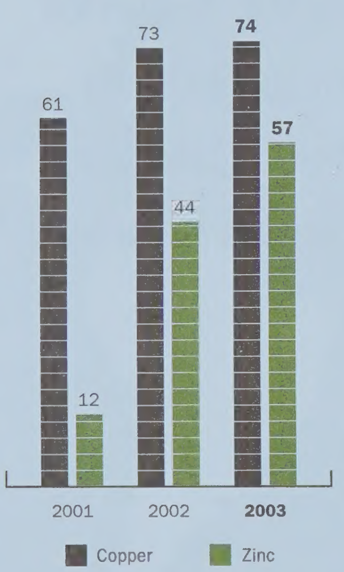
Inmet is a Canadian based international mining company producing copper, zinc and gold. Inmet's strategy is to grow as a base metal mining company providing superior returns to our shareholders. Inmet's operating base consists of four competitive mining operations: Çayeli, Pyhäsalmi, Troilus and Ok Tedi. Inmet's common shares are listed on the Toronto Stock Exchange.

COPPER AND ZINC PRODUCTION
Inmet's share, thousands of tonnes



CONSOLIDATED WEIGHTED AVERAGE U.S.$ COST
per pound of copper

NET INCOME PER SHARE

OPERATING CASH FLOW PER SHARE

Highlights

OPERATING HIGHLIGHTS

	2003	2002	2001
PRODUCTION (1)			
Copper (tonnes)	**74,300**	73,300	60,700
Zinc (tonnes)	**57,300**	43,900	12,400
Gold (ounces)	**254,700**	257,600	244,400
CASH COSTS			
Copper (U.S.$ per pound) (2)	**$ 0.39**	$ 0.41	$ 0.52
Gold (U.S.$ per ounce)	**$ 259**	$ 247	$ 232
TOTAL COSTS			
Copper (U.S.$ per pound) (2)	**$ 0.52**	$ 0.54	$ 0.66
Gold (U.S.$ per ounce)	**$ 272**	$ 267	$ 252

FINANCIAL HIGHLIGHTS

(in thousands, except per share amounts)	2003	2002	2001
FINANCIAL RESULTS			
Sales	**$ 302,147**	$ 211,973	$ 106,759
Net income	**$ 179,497**	$ 7,330	$ 3,309
Net income per share (3)	**$ 4.46**	$ 0.09	$ –
Cash flow provided by operating activities	**$ 83,407**	$ 73,702	$ 6,388
Operating cash flow per share (3)	**$ 2.12**	$ 1.92	$ 0.18
FINANCIAL POSITION (DECEMBER 31)			
Cash and short-term investments	**$ 230,251**	$ 76,532	$ 63,871
Net working capital	**$ 270,152**	$ 91,320	$ 96,849
Total assets	**$ 645,289**	$ 481,461	$ 312,132
Long-term debt	**$ 24,115**	$ 67,711	$ 16,981
Reclamation and other long-term liabilities	**$ 107,873**	$ 84,907	$ 56,438
Shareholders' equity	**$ 413,393**	$ 241,835	$ 204,805
Common shares outstanding	**39,348**	39,283	35,276

(1) Inmet's share.

(2) Çayeli and Pyhäsalmi zinc production and Ok Tedi gold production included as by-product credits.

(3) Calculated using weighted average number of shares outstanding for the year.

Effective corporate governance is about more than a simple "check the box" list of standards. It should result in a dynamic structure that contributes towards effective decision-making, principled management and transparent reporting.

BILL JAMES, *Chairman of the Board*

Message from the Chairman

Inmet's Board and senior management believe that we follow fundamentally sound governance practices and that our current governance approach has contributed to our success in recent years in executing our corporate strategy. We continually assess Inmet's corporate governance to ensure that we follow best practices that are appropriate to our circumstances.

Our corporate governance practices are guided by several fundamental principles:

- Our Board's paramount duty is to oversee, from an independent perspective, senior management in the competent and ethical operation of Inmet's business;
- Senior management's paramount duty is to act at all times in an effective and ethical manner consistent with the interests of shareholders, with the goal of producing sustainable long-term value;
- Senior management, under the oversight of the Board, directly and through the Audit Committee, has the responsibility to produce financial statements and financial reporting disclosure that clearly and fairly present Inmet's financial condition and results in a manner that enables Inmet's shareholders and potential investors to make their own informed assessment of Inmet's operating results, financial condition and prospects as well as the risks and uncertainties of our business;
- Inmet's external auditor is independent and there are no impediments to them informing the Board or Audit Committee of any concerns they have regarding the appropriateness or quality of Inmet's financial statements or financial reporting; and
- Inmet deals with its employees and stakeholders in a fair and equitable manner. This is not only the right thing to do but also assists us to maintain and enhance the robustness of our operations, growth prospects and "licence to operate".

We are continually striving to improve our practices and have to date identified a number of items that we will adopt in the coming year. Among these are:

Quality/Motivation of Board Members:

- Formally maintaining a "matrix" of director talents and Board requirements to identify skill gaps on the Board;
- Establishing a tailored education program for each new director;

Director Share Ownership:

- Requiring directors to own a minimum of 3,000 shares in Inmet;

Evaluate Performance of Board and Committees:

- Publishing a charter of expectations for directors;
- Formally reviewing annually the performance of the Board and its committees; and

Review Performance of Individual Directors:

- Evaluate on an annual basis the performance of individual directors.

Inmet will monitor emerging best practices and will adopt those that are meaningful for us. Effective corporate governance is about more than a simple "check the box" list of standards. It should result in a responsive and dynamic structure that contributes towards effective decision-making, principled management and transparent monitoring of compliance and performance. Continuously improving our corporate governance approach can only help to enhance our ability to successfully execute our corporate strategy.

On another note, Alfred Powis, a valued member of the Inmet Board since 1997, has decided not to stand for re-election. In recognition of Mr. Powis' many contributions to Inmet, the Inmet Board has appointed him as an honorary director with the title of Director Emeritus.

Bill James

Bill James
CHAIRMAN OF THE BOARD

Pictured above from left to right: *Bill James, Richard A. Ross, David R. Beatty, Paul E. Gagné*

Board of Directors

BILL JAMES Mr. James is Chairman of the Corporation. He has extensive experience in international mining and, in 2002, he was inducted into the Canadian Mining Hall of Fame. Mr. James was President and Chief Executive Officer of the Corporation from 1996 to 1999. Prior to that he was President and Chief Executive Officer of Denison Mines Limited and from 1983 to 1989 served as the President, Chairman and Chief Executive Officer of Falconbridge Limited. Currently Mr. James also serves as a director of Templeton Growth Fund Ltd.
Mr. James has been a director since 1996 and is a member of the Compensation Committee, Corporate Governance and Nominating Committee, and the Safety, Health and Environment Committee.

RICHARD A. ROSS Mr. Ross is President and Chief Executive Officer of the Corporation. Prior to 2000, Mr. Ross was the Executive Vice-President and Chief Financial Officer and has held positions of increasing responsibility since joining the Corporation in 1989. He is also First Vice-Chairman of the Mining Association of Canada, President of the Canadian-Turkish Business Council and serves on the board of St. Joseph's Health Centre Toronto. Mr. Ross is a Canadian chartered accountant (1982).
Mr. Ross has been a director since 1999.

DAVID R. BEATTY, O.B.E. Mr. Beatty is Professor of Strategic Management and Conway Director of the Clarkson Centre for Business Ethics and Board Effectiveness at the University of Toronto's Rotman School of Management. He is also the Managing Director of the Canadian Coalition for Good Governance. Mr. Beatty is a director of the Bank of Montreal, First Service Corporation, Garbell Holdings Limited, Goldcorp Inc. and Thistle Mining Inc. He is Honorary Consul to Canada for the Government of Papua New Guinea and in 1993 was awarded the O.B.E.
Mr. Beatty has been a director since 2003 and is a member of the Compensation Committee and the Corporate Governance and Nominating Committee.

PAUL E. GAGNÉ Mr. Gagné is a Corporate Director. From 1998 to 2002 he was a consultant to Kruger Inc. and, prior to that, he was Chief Executive Officer of Avenor Inc., a pulp, paper and wood products company. He currently serves on the boards of Textron Inc. and Wajax Limited. Mr Gagné is a Canadian chartered accountant (1974).
Mr. Gagné has been a director since 1996 and chairs the Audit Committee and Safety, Health and Environment Committee.

Pictured above from left to right: *Oyvind Hushovd, Jyrki Juusela, Thomas E. Kierans, James M. Tory,* Absent: *Alfred Powis*

OYVIND HUSHOVD Mr. Hushovd is Chairman and Chief Executive Officer of Gabriel Resources Ltd. Previously he held positions of increasing importance with Falconbridge Limited and from 1996 to 2002 served as its President and Chief Executive Officer. Mr. Hushovd is also a director of Western Oil Sands Inc., Cameco Corporation, Nuinsco Resources Limited and LionOre Mining International Ltd.
Mr. Hushovd has been a director since 2002 and is a member of the Audit Committee and the Safety, Health and Environment Committee.

JYRKI JUUSELA, PH.D. Dr. Juusela is President and Chief Executive Officer of Outokumpu Oyj. He also serves on the boards of Sampo Plc, Varma Mutual Pension Insurance Company, Technology Industries Finland and the Association of Finnish Steel and Metal Producers. Dr. Juusela received his Doctorate of Technology from the Helinski University of Technology in 1971.
Dr. Juusela has been a director since 2002.

THOMAS E. KIERANS, O.C. Mr. Kierans is Chairman of The Canadian Institute for Advanced Research. Before assuming this position, he was President and Chief Executive Officer of the C.D. Howe Institute, where he served for 10 years, and before that, President of McLeod Young Weir Limited (later ScotiaMcLeod Inc.). Mr Kierans is also Chairman of the Board of The Toronto International Leadership Centre for Financial Sector Supervision. He serves as a director to several other companies, including BCE Inc., Manulife Financial Corporation, Petro-Canada and Telesat Canada. Mr. Kierans is the recipient of an Honorary LL.D. from the Royal Roads Military College and was invested as an Officer of the Order of Canada (2001).
Mr. Kierans has been a director since 1996 and serves as Chairman of the Corporate Governance and Nominating Committee and is a member of the Compensation Committee.

JAMES M. TORY, Q.C. Mr. Tory is Chair Emeritus and Counsel at Torys LLP. He is currently Chairman of the Board of Cognos Inc. and serves as a director of Canadian General Tower Ltd.
Mr. Tory has been a director since 1987 and serves as Chairman of the Compensation Committee and is a member of the Audit Committee, and the Corporate Governance and Nominating Committee.

ALFRED POWIS, O.C. Mr. Powis is a Corporate Director. He served as Chief Executive Officer and/or Chairman of Noranda Inc. from 1968 until 1995. His many contributions inside and outside of the mining and resources industries have been recognized in numerous ways including through his investiture into the Order of Canada (1984) and his induction into the Canadian Mining Hall of Fame (1997) and the Canadian Business Hall of Fame (1996).
Mr. Powis has been a director since 1997.

We will continue to pursue our strategy "To grow as a base metal mining company providing superior returns to our shareholders."

RICHARD ROSS, *President and Chief Executive Officer*

Message from the CEO

Strategy

Over the past four years, Inmet has consistently followed a strategy "to grow as a base metal mining company providing superior returns to its shareholders". Our success has demonstrated that this strategy can create significant value. We have carefully evaluated the elements of our strategy to ensure that it remains a viable roadmap for the success and growth of our Company. There are three elements to this strategy:

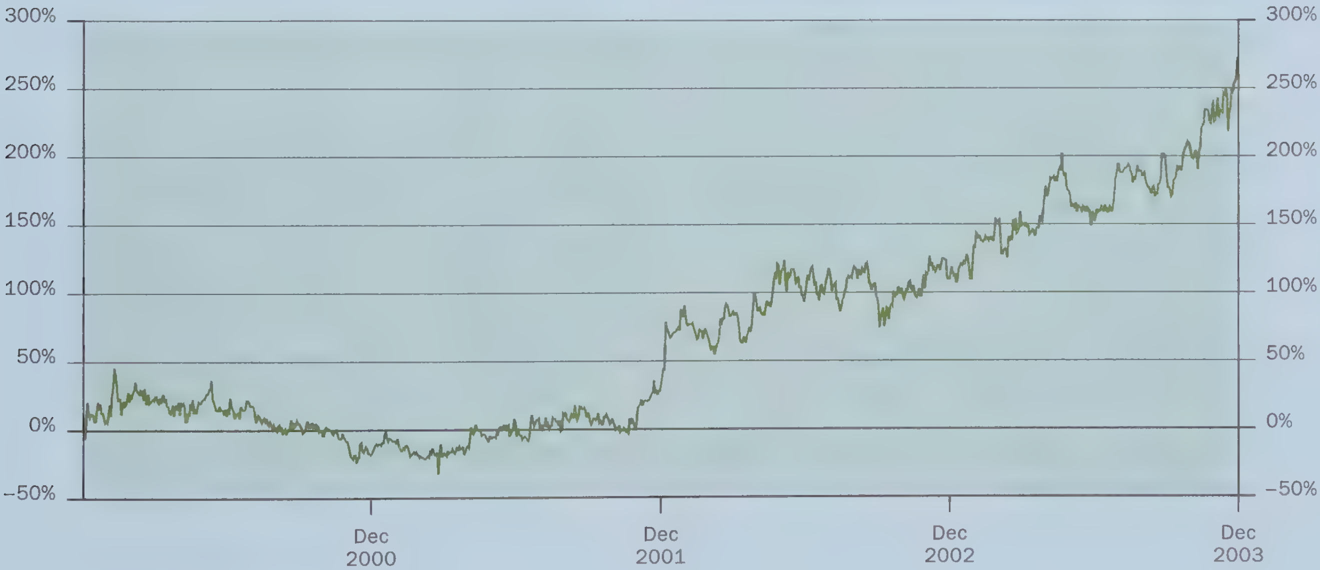
Base metals // Inmet's current operating base and our future growth plans are focused on the production of base metals. In particular, copper is our main focus and also has the biggest impact on our profitability. Inmet's earnings and cash flow per share are strongly impacted by changes in copper prices due to the relatively low number of shares outstanding in relation to our copper production. For every U.S.$0.10 change in the price of copper, our earnings per share change by C$0.36 a share, assuming a constant exchange rate. We saw a significant rise in copper prices in 2003 and we expect further strengthening this year. It is also possible that there may be a sustained rally over several years led by the strong demand for copper in China and the recovery of the United States economy. Therefore, we believe that the long term prospects for copper are excellent.

Future growth // Inmet's expertise is in the exploration, development and operation of copper concentrate producing mines. Therefore, we will continue to focus our growth efforts in this area. Inmet has set a target to increase copper or copper

equivalent production to over 150,000 tonnes within the next few years from our current production level of 75,000 tonnes. This level of growth is based on what we believe we can afford to either acquire or develop with our current financial resources. We have identified a number of opportunities which we believe can be accretive and we will pursue these in the coming years. Our goal is to execute and manage this level of growth while maintaining our superior returns to shareholders.

Superior returns // Inmet's objective over the long term is for our share price to outperform the S&P/TSX diversified metals and mining index. Since implementing our strategy in 2000, we in fact have achieved this in three out of four years. Inmet's share price has outperformed the S&P/TSX diversified metals and mining index during this period by more than 260 per cent. This share price performance is a result of the realization of substantial value from our existing asset base and from our success at growing at a measured pace in line with our ability to afford such growth. We believe that through value generated from within our existing operations and growth of our asset base, we will continue to generate superior returns to our shareholders.

INMET SHARE PERFORMANCE
Relative to S&P/TSX diversified metals and mining index



2003 Objectives

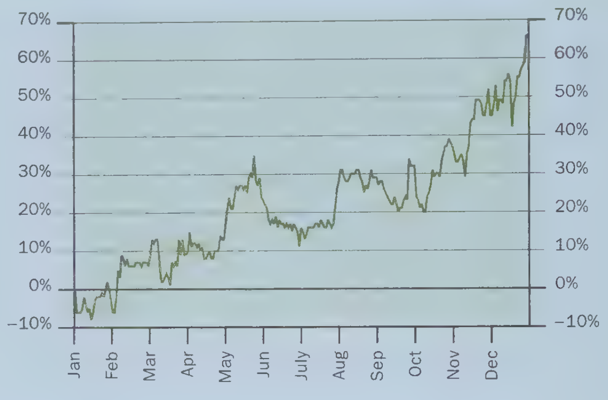
In order to focus our employees on efforts that will advance our strategy, we develop a set of corporate objectives every year that are then reflected in the personal objectives of our employees. In 2003, we met or exceeded our corporate objectives. These were:

OBJECTIVE 1

Inmet's share price to outperform the S&P/TSX diversified metals and mining index.

The Company's share price exceeded the S&P/TSX diversified metals and mining index by 65 per cent in 2003.

INMET 2003 SHARE PERFORMANCE
Relative to S&P/TSX diversified metals and mining index



OBJECTIVE 2

Meet budgeted production and financial targets.

This objective relates to achieving certain key performance indicators. These performance drivers are both financial and production based, and focus on earnings and cash flows. The following table is a summary of some of these indicators and it illustrates Inmet's success in achieving this objective in 2003:

2003 Performance Objectives

Key Performance Indicator	Objective	Actual
Production of copper	75,000 tonnes	74,000 tonnes
Production of zinc	52,000 tonnes	57,000 tonnes
Production of gold	247,000 ounces	255,000 ounces
Copper cash cost (per pound)	U.S.$0.46	U.S.$0.39
Gold cash cost (per ounce)	U.S.$262	U.S.$259

Inmet generated earnings of $180 million and operating cash flow of $83 million in 2003, both of which were far in excess of our expectations.

OBJECTIVE 3

Grow through further acquisitions or expansions of existing operations.

Inmet has been successful in advancing its growth objective in 2003:

- Ore reserves at Troilus were doubled and the mine life extended a further four years, which resulted in an additional 490,000 ounces of recoverable gold.
- An agreement was reached to acquire the Cerattepe development project. The property is located approximately 200 kilometres from the Çayeli mine site.
- The Rize exploration properties were acquired, which comprise two mineral licenses adjacent to the current holdings of Çayeli.
- Reserves were increased at several operations.

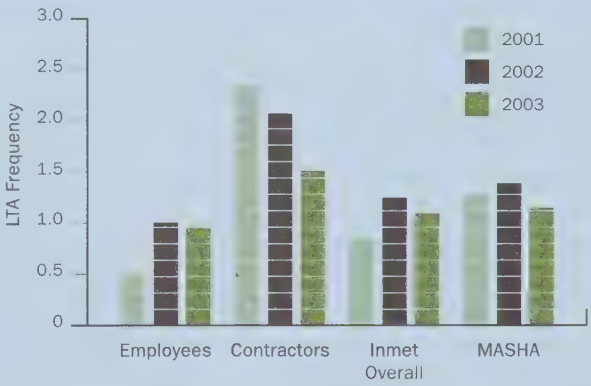
OBJECTIVE 4

Continue to improve safety and health performance.

Lost time injury frequency declined by 12 per cent between 2003 and 2002 and continues to outperform industry benchmarks.

LTA FREQUENCY

The Mines and Aggregates Safety and Health Administration is the safety association serving Ontario's mining and aggregates workplaces. Inmet uses MASHA statistics as its performance benchmark.



Two other transactions stand out in 2003, which were not part of our formal objectives but have advanced our strategy substantially:

- The litigation with Barrick was concluded and Inmet received $110 million in November.
- Our residual interest in Antamina was sold in July for net proceeds of $31 million.

2004 Objectives

As a result of our success in 2003, we are particularly well positioned to further advance our strategy in 2004. Inmet has the financial resources to reinvest in its operations and to generate further internal growth, implement value added initiatives and carry out an acquisition if the opportunity arises. To ensure that we continue this success and achieve further advances in our strategy, we have developed the following objectives for 2004:

OBJECTIVE 1

Exceed budgeted production and financial targets.

2004 Performance Objectives

Key Performance Indicator	Objective
Production of copper	78,000 tonnes
Production of zinc	63,000 tonnes
Production of gold	258,000 ounces
Copper cash cost (per pound)	U.S.$0.38
Gold cash cost (per ounce)	U.S.$272

We believe that this budget is a realistic and an achievable target for 2004. In order to ensure the achievement of this budget, we have identified a number of key risks and opportunities which are to be the focus of management in 2004. Some of these are as follows:

- At Çayeli, the management of mine ground conditions will continue to be a priority. These efforts will be focused on regaining flexibility in our mining operations to maximize grade and to consistently achieve the maximum throughput capacity of the mill.
- At Cerattepe, the completion of the feasibility study and the commencement of development should pave the way for further production growth for Inmet in Turkey in 2005 and beyond.
- At Troilus, we will complete a feasibility study for a further expansion of the mill.
- At Ok Tedi, the management of the environmental impacts of the mine and maintaining the ongoing support of local communities will remain an ongoing priority.

OBJECTIVE 2

Grow through expansion of existing operations, acquisition of a producing mine, development of a property or successful exploration.

Inmet is in a very strong position to finance further growth. At the end of 2003, Inmet had $230 million in cash on hand. Based on current metal prices, Inmet should generate significant free cash flow in 2004. A key risk to achieving growth through an acquisition is the current strong metal price environment. It could have an impact on inflating seller expectations. Also, a strong equity market will provide opportunities for less well financed competitors to raise financing and take a more aggressive approach to acquisitions. We will continue to maintain our profitability targets and as a result, recognize that it may require time to achieve our objective.

OBJECTIVE 3

Achieve further advancements in the safety and health management of our employees.

The objective of continuous improvement of our health and safety systems in order to ensure our operations remain a safe place for our employees will continue to be a priority for Inmet in 2004. We have seen both the great motivational impact of a successful safety record and the negative impact from a fatality. We believe that ensuring safe working conditions and zero harm are key factors in achieving our long term strategy.

OBJECTIVE 4

Successfully implement a formal Enterprise Risk Management system.

We will complete the implementation of our Enterprise Risk Management system in 2004. This system is focused on managing both risks and opportunity. We believe that by managing risk, we are in a better position to capitalize on opportunities and focus our efforts in areas where we have a competitive advantage.

An important aspect of this system is communication; communication with our employees, with our shareholders and with the communities where we operate. The Mining Association of Canada has also recognized the need for the industry to focus in this area through its Towards Sustainable Mining ("TSM") initiative. The objective of TSM is to establish a standard of excellence in all areas of operation, environmental management and community involvement for all mining companies in Canada. TSM will be an important part of our risk management system.

Inmet as an Investment Opportunity

Inmet has established itself as a strong and profitable base metal mining company. At the end of 2003, Inmet was placed back into the S&P/TSX composite index. This reflects the tremendous advancements that have been made by the Company in growing to a level that allows us to be included in the index. This also facilitates many investors' ability to invest in Inmet. There are four main reasons that make Inmet attractive to investors:

1. Inmet has significant leverage to copper prices. As we are in the upward part of the price cycle, the potential impact on Inmet's cash flow and profitability is significant.

2. Inmet has the financial and technical capability to grow through both internal and external opportunities.

3. Inmet has established a proven track record of excellent profitability and superior share price returns. We believe that we are well positioned to continue these results over the long term.

4. Inmet's governance practices are strong:

   - Inmet discontinued issuing stock options as an incentive for management in 2001 and has fully expensed the cost of the stock options currently outstanding. Inmet also has had share ownership guidelines for management for some time.
   - Inmet's disclosure practices have always been focused on ensuring that investors have all relevant information that could impact their investment decision. An example of this is the detailed disclosure that we are adding to this year's Annual Report on our environmental performance and community and social impacts.
   - Inmet's Board of Directors and senior management are committed to a philosophy of openness and honesty in our dealings with all stakeholders.

Employees

We are extremely proud of the contribution that our employees make to the success of Inmet.

At Troilus, our employees have put us in a position where we now can enjoy the positive benefits of a stronger gold price and a longer mine life. At Çayeli, our employees experienced a significant disruption to their normal routines at the time of the ground movement in 2002. They have dedicated their efforts to return Çayeli to where it was before this event and are now firmly focused on future growth and development. Following the acquisition in 2002 of Pyhäsalmi, its workforce quickly adopted our operating philosophy and contributed to Inmet's success with their efficient and productive operating capabilities. Prior to 2002, Ok Tedi and its employees were faced with a major uncertainty with regard to the future of the mine. Nonetheless, Ok Tedi's employees continued to focus on running Ok Tedi as a world class operation and are now in a position where their efforts are contributing substantially to the overall benefit of Papua New Guinea. At our closed properties, the significant effort of our employees has been instrumental in demonstrating that Inmet, by its actions, operates responsibly through all phases of its mines' life cycles.

We are also in the process of implementing a new exploration strategy, which is focused on opportunities in close proximity to our existing operations. Throughout this change, our exploration staff has continued to generate exciting targets for our future growth. Finally, our head office staff has continued to dedicate their time and efforts to advancing Inmet's strategy.

We are confident that with this dedicated workforce, we will continue to advance our strategy and achieve continuing superior returns for our shareholders.

Richard Ross
PRESIDENT AND CHIEF EXECUTIVE OFFICER

2003 has been a good year for Inmet's operations. All our operations either met or exceeded their targets.

JOCHEN TILK, *Executive Vice-President and Chief Operating Officer*

Message from the COO

In 2003, Çayeli commenced with deepening its shaft and initiated feasibility work on the development of the Cerattepe deposit, while Troilus commenced feasibility work on a mill expansion. One of our main objectives for 2004 is to advance these projects so that we can benefit from the added value as soon as possible. We further improved Inmet's management systems for safety, environment and community affairs and are pleased to present you with an expanded section on our activities in this area in our Annual Report. We experienced higher metal prices in 2003 but we also saw the strengthening of local currencies against the United States dollar. This has led to an increase in operating costs, particularly at Çayeli.

As we move into 2004, we will focus on maintaining the highly competitive cost structure of our operations. This will allow the operations to unleash their full potential in a rising metal price environment.

Çayeli

At Çayeli our focus will be on advancing two major projects with the shaft deepening and the development of Cerattepe while increasing our production targets for 2004.

In 2003, Çayeli achieved its highest annual mill throughput since the mine opened in 1994. This was an even more remarkable result when considering that, at the same time, Çayeli was continuing to rehabilitate the areas of the mine impacted by the October 25, 2002 groundfall event. However, Çayeli fell short of meeting its production targets for copper and zinc metal because of lower mining grades. This was due to the lower grade areas mined in order to maximize ore delivery to the mill after the groundfall. Çayeli has made a number of adjustments to its operation to minimize the potential of a reoccurrence of the groundfall event. With the support of external experts, the mine has adjusted its standards for ground support and now applies an integrated system of resin and cable bolts. The main infrastructure below the 800 metre level has been successfully shifted into the more competent footwall. Çayeli has also improved its predictive methods and will be using a microseismic system and numeric modeling to record and simulate the impact of future mining on ground conditions.

At the end of 2003, contractors mobilized to commence with the deepening of Çayeli's shaft. The contract price for the shaft deepening is fixed at U.S.$14 million. The existing shaft will be extended by 300 metres and new ore handling facilities will be developed at the 570 metre level. The project is expected to be completed during the first quarter of 2006. Because the existing shaft has two independent hoisting systems, mine production and shaft sinking can take place simultaneously with a minimum amount of disruption. The deepened shaft will provide Çayeli with

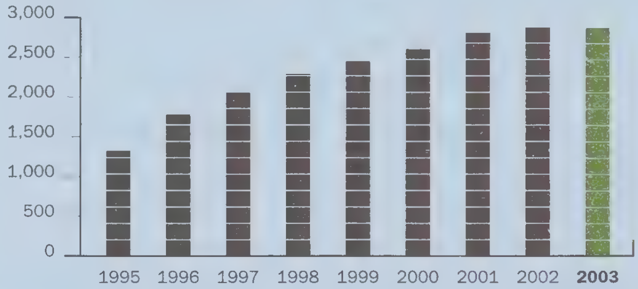
access to its deeper ore and improve the efficiency of its ore transport below the 900 metre level.

Technical feasibility work and environmental studies on the Cerattepe project commenced in 2003 and are expected to continue through most of 2004. The Cerattepe deposit is located approximately 200 kilometres from Çayeli and has a high grade copper reserve, which should augment Çayeli's production at a rate of approximately 250,000 tonnes per year beginning in 2006.

Çayeli's objective for 2004 unit cash costs is U.S.$0.42 per pound of copper, which takes into consideration the strengthening of the Turkish lira and additional operating costs to maintain its upgraded standards for ground support. At the same time, Çayeli is expected to benefit from stronger metal prices and favourable treatment charges. Çayeli's production target for 2004 is based on a throughput rate of 1.25 million tonnes. Çayeli has scheduled a two week shutdown in the second quarter of 2004 to install a concrete floor in parts of the main ramp, upgrade its mill control system and carry out a series of maintenance projects and, as a result, ore milled is expected to be 1.2 million tonnes for 2004. These projects, along with the shaft deepening project, will ultimately provide Çayeli with an improved infrastructure and form the basis for future growth, but also pose a risk in its ability to meet its production targets for 2004.

Negotiations with the mine workers' union commenced early in 2004 on the renewal of the collective bargaining agreement. The agreement expired in May 2003.

ÇAYELI DAILY MILL THROUGHPUT
(tonnes)



Pyhäsalmi

Pyhäsalmi has proven to be a reliable, low-cost operation and we should expect a similar performance for 2004.

Pyhäsalmi exceeded our expectations for 2003 with higher mill throughput rates and better grades. Two years have passed since Pyhäsalmi was acquired by Inmet and the operation continues to outperform our expectations. Despite the significant negative impact of the strong euro, cash operating costs in 2003 averaged U.S.$0.18 per pound of copper after metal credits.

At the beginning of 2003, Pyhäsalmi upgraded its milling operation by adding grinding capacity which allowed the operation to exceed its throughput targets. Additional upgrades were made with the installation of a new on-stream analyzer and several adjustments were made in the flotation circuit to further improve control over metallurgical recoveries. As a result, we have seen excellent metal recoveries of 95 per cent for copper and 94 per cent for zinc.

One important element in Pyhäsalmi's operation is the consideration given to ground conditions. Pyhäsalmi is a deep operation at the beginning of its extraction cycle and efforts to understand and mitigate future potential ground impacts are well underway. The installation of the geoseismic survey system was completed early in 2003 and results are now fed into a database to monitor and analyze all ongoing activities. Pyhäsalmi has also completed a detailed life-of-mine plan and the compact layout and known geometry of the Pyhäsalmi ore body provides a unique opportunity to optimize the stope design and mining cycles many years in advance. For 2004, Pyhäsalmi is expected to provide a similar operating performance to that of 2003.

Troilus

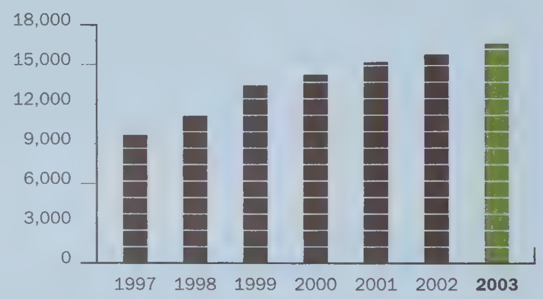
Troilus' competitiveness is a direct function of its ore throughput and we will continue to explore further opportunities to expand capacity.

In March 2003, Inmet announced the increase of Troilus' reserves by 490,000 ounces, which expanded the life of the operation by four years until 2009. This expansion was largely possible because Troilus' increased ore milling rates resulted in a much improved cost structure. In 2003, the average mill throughput rate was 16,400 tonnes per day, a four per cent increase compared to the previous year and the highest throughput rate since mining commenced at Troilus. Troilus finished the year producing 164,100 ounces of gold at a cash cost of U.S.$259 per ounce.

Troilus also completed a successful test of its J-4 satellite deposit which ultimately led to the decision to proceed with the development of the J-4 pit. Much of the construction work is now completed and J-4 will be mined for a significant part of 2004. Because of the increased mine life and construction activities related to the development of the J-4 pit, Troilus' capital expenditures in 2003 were $15.4 million compared to the target of $6.3 million, set at the beginning of 2003.

Based on its success in recent years, Troilus continues to look to further improve its competitiveness. We are now in the process of reviewing opportunities to further increase the throughput capacity of the mill. Over the past few years, Troilus has adjusted well to the reality of mining a low grade gold deposit. Because of the mine's efficiency, high throughput rates and a state-of-the-art grade control program, Troilus should be well positioned for the coming years.

TROILUS DAILY MILL THROUGHPUT
(tonnes)



Ok Tedi

Ok Tedi has progressed to become a stable operation and is expected to have a strong performance in 2004 while it will continue to focus on managing its environmental challenge.

Ok Tedi experienced a fatality on July 15, 2003, when a bulldozer operator died as a result of a dump failure. Waste dumping was suspended after the incident until Ok Tedi completed a full review of its operating procedures. On completion of the review, Ok Tedi resumed dumping activities and is now using remote control bulldozers to minimize risk to its operators.

Operationally, the effect of the dump failure was somewhat mitigated by mining higher grade ore and achieving significantly better metallurgical recoveries than originally forecasted. The improved recoveries were the result of a series of upgrades in Ok Tedi's flotation circuit over the past two years. The restriction in waste dumping imposed after the dump failure caused Ok Tedi to miss its targets for

waste removal in 2003. Consequently, Ok Tedi increased its waste removal requirements, to evenly spread them over the coming years. To meet some of these additional requirements, Ok Tedi is in the process of augmenting its fleet with three additional haul trucks and three bulldozers.

In 2003, Ok Tedi demonstrated that it is a stable and reliable operation with tremendous potential. The move toward stability continued with the settlement earlier in the year of legal proceedings initiated against Ok Tedi by several landowners. There is no question that challenges on the environmental side continue as the potential for acid rock drainage and the impact of the discharge of mine rock into the Ok Tedi and Fly River systems remain the focus of Ok Tedi's environmental work. The dredging of the Ok Tedi River at an annual cost of U.S.$25 million is now a permanent operation, which removes approximately 17 million tonnes of sand per year from the Ok Tedi River.

The 2004 objectives set by Ok Tedi reflect the production targets at the end of 2003. However, it is expected that the 2004 production targets will be impacted as the result of the SAG mill failure. A mechanical failure of one of Ok Tedi's two SAG mills occurred in January 2004. Ok Tedi is expected to operate at a minimum of 50 per cent of production capacity during February and March 2004 while repairs are completed. During this time, Ok Tedi will operate using the other SAG mill, which was substantially rebuilt in early 2003.

Exploration

In 2004, we will also see a substantial increase in the exploration activities surrounding the operations as we believe that existing infrastructure can significantly improve the return on a successful finding.

In April 2003, Çayeli acquired a substantial land package adjacent to its current mining concessions and has already identified a number of targets to be drilled in 2004. Pyhäsalmi reviewed the exploration opportunities adjacent to it and will proceed with the drilling of several targets in 2004. Troilus will continue to look for opportunities to expand its existing reserves within the immediate vicinity of the existing pits. Ok Tedi also launched an exploration program designed to look for opportunities near the existing pit as well as targets in the perimeter of the deposit. We are looking forward to reporting on the progress of these activities as the year progresses.

With the significantly improved metal prices and solid production targets for 2004, we look forward to another successful year.

Jochen Tilk

Jochen Tilk
EXECUTIVE VICE-PRESIDENT AND CHIEF OPERATING OFFICER

Key Performance Indicators by Operation

ÇAYELI

(100 per cent)		2003	2002	Objective 2004
Tonnes of ore milled (thousands)		**930**	895	**1,200**
Tonnes of ore milled per day (1)		**2,892**	2,896	**3,300**
Grades (per cent)	Copper	**4.2**	4.2	**4.2**
	Zinc	**5.1**	5.1	**6.2**
Mill recoveries (per cent)	Copper	**87**	87	**84**
	Zinc	**72**	72	**70**
Metal production (tonnes)	Copper	**33,500**	32,600	**42,000**
	Zinc	**33,600**	33,100	**52,000**
Cash cost per pound of copper		**U.S.$0.47**	U.S.$0.43	**U.S.$0.42**
Total cost per pound of copper		**U.S.$0.52**	U.S.$0.48	**U.S.$0.49**
Capital expenditures (thousands)		**U.S.$6,500**	U.S.$8,000	**U.S.$19,000**

(1) Calculation based on milling days.

PYHÄSALMI

(100 per cent)		2003	Nine Months Ended December 31, 2002	Objective 2004
Tonnes of ore milled (thousands)		**1,330**	939	**1,300**
Tonnes of ore milled per day		**3,640**	3,400	**3,600**
Grades (per cent)	Copper	**1.2**	1.2	**1.0**
	Zinc	**3.1**	3.0	**2.9**
	Sulphur	**41**	41	**40**
Mill recoveries (per cent)	Copper	**95**	95	**95**
	Zinc	**94**	93	**92**
Metal production (tonnes)	Copper	**14,900**	11,200	**12,600**
	Zinc	**38,800**	26,300	**34,200**
	Pyrite	**673,600**	396,500	**690,000**
Cash cost per pound of copper		**U.S.$0.18**	U.S.$0.28	**U.S.$0.27**
Total cost per pound of copper		**U.S.$0.43**	U.S.$0.47	**U.S.$0.56**
Capital expenditures (thousands)		**€2,800**	€5,200	**€3,000**

TROILUS

(100 per cent)		2003	2002	Objective 2004
Tonnes of ore milled (thousands)		**5,980**	5,730	**6,100**
Tonnes of ore milled per day		**16,400**	15,700	**16,700**
Strip ratio		**1.8**	2.5	**1.9**
Grades	Gold (grams/tonne)	**1.0**	1.1	**1.0**
	Copper (per cent)	**0.1**	0.1	**0.1**
Mill recoveries	Gold (per cent)	**83**	83	**83**
	Copper (per cent)	**89**	90	**88**
Metal production	Gold (ounces)	**164,100**	164,900	**158,000**
	Copper (tonnes)	**5,800**	6,800	**4,300**
Cash cost per ounce of gold		**U.S.$259**	U.S.$247	**U.S.$272**
Total cost per ounce of gold		**U.S.$272**	U.S.$267	**U.S.$305**
Capital expenditures (thousands) (1)		**$15,400**	$8,300	**$15,300**

(1) Includes capitalized stripping.

OK TEDI

(100 per cent)		2003	2002	Objective 2004
Tonnes of ore milled (thousands)		**28,200**	30,400	**30,000**
Tonnes of ore milled per day		**77,000**	83,000	**82,000**
Strip ratio		**1.7**	2.0	**2.2**
Grades	Copper (per cent)	**0.8**	0.8	**0.8**
	Gold (grams/tonne)	**0.8**	0.8	**0.8**
Mill recoveries	Copper (per cent)	**84**	87	**87**
	Gold (per cent)	**68**	67	**70**
Metal production	Copper (tonnes)	**195,700**	211,300	**213,000**
	Gold (ounces)	**503,400**	514,900	**555,000**
Cash cost per pound of copper		**U.S.$0.44**	U.S.$0.44	**U.S.$0.39**
Total cost per pound of copper		**U.S.$0.55**	U.S.$0.59	**U.S.$0.45**
Capital expenditures (thousands)		**U.S.$8,500**	U.S.$11,200	**U.S.$18,000**

Report on Economic, Environmental and Social Performance

The following report covers aspects of Inmet's economic, environmental and social performance. The purpose of the report is to provide Inmet's shareholders, its employees, members of the communities in which Inmet operates and other interest groups with a factual representation of the status of Inmet's efforts toward continuous improvement in these areas.

Inmet intends to achieve two objectives with this increased level of disclosure. Firstly, the information will allow shareholders to better assess the risks Inmet faces in its global business and risk management activities that help minimize these risks. Secondly, since these indicators are one element of the systems by which Inmet manages its operations on a daily basis, public reporting is a further demonstration of the commitment to improve Inmet's performance in these areas.

The report has been prepared using the Global Reporting Initiative ("GRI") as guidance. GRI is a multi-stakeholder effort to develop and encourage the use of a set of standardized sustainability reporting criteria. More information on GRI can be found at www.globalreporting.org. The performance indicators ("PI"s) in this report are presented for each area with the origin of the PI indicated (i.e. GRI, Towards Sustainable Mining or internal). The PIs reported reflect our reporting systems currently in place. As the indicators change over time, Inmet's reporting system will further evolve. All information is presented on a 100 per cent basis, although Inmet's ownership interests are 55 per cent for Çayeli and 18 per cent for Ok Tedi. Financial information will not necessarily agree to Inmet's audited financial statements as financial data is presented differently for accounting purposes, especially with respect to Ok Tedi, which is 18 per cent proportionately consolidated.

As a commitment to good governance and transparency, Inmet is reporting data that may not necessarily be material from a financial viewpoint or from a shareholder's perspective. The intention is to demonstrate Inmet's commitment to transparency, improved performance and that these complex issues are being managed responsibly with the interests of its shareholders, employees, contractors and communities in mind.

Economic Performance

The economic indicators presented here demonstrate the impact Inmet's operations have on the respective local communities in Canada, Finland, Turkey and Papua New Guinea. Because Inmet's operations are located in relatively remote areas, they can contribute materially to the tax base and local economy in those areas.

Table 1. Employment and payroll

Location	Number of employees	Annual total payroll (in thousands)
Çayeli	379	$ 21,700
Ok Tedi	1,979	$ 56,000
Pyhäsalmi	212	$ 13,220
Troilus	302	$ 19,570
Closed properties	8	$ 468

Table 2. Payments made directly to community groups (GRI Core Indicator EC10)

Location	Payments to communities in 2003 (in thousands)
Çayeli	$ 41
Ok Tedi	$ 15,100
Pyhäsalmi	$ 15
Troilus	$ 74

Table 3. Taxes paid (GRI Core Indicators EC8 and EC9)

Location	Taxes paid in 2003 (in thousands)
Çayeli	$ 1,010
Ok Tedi	$ 43,400
Pyhäsalmi	$ 30
Troilus	$ 580
Closed properties	$ 84

Table 4. Purchases of goods and services locally (GRI Core Indicator EC3)

Location	Goods and services purchased in 2003 (in thousands)
Çayeli	$ 23,270
Ok Tedi	$159,600
Pyhäsalmi	$ 56,880
Troilus	$ 25,470
Closed properties	$ 2,960

Environmental Performance

Inmet has implemented components of an environmental management system whose framework incorporates planning, implementation, control, review, and improvement. Inmet has also developed and implemented tools for compliance and continuous improvement in environmental performance.

Much of the risk of significant environmental impact from Inmet's operations originates from the management and treatment of water, and from tailings management. At Inmet's closed properties, physical rehabilitation is mostly complete. At three closed properties, water contaminated by chemical reactions within mining waste will require long-term treatment (see "Acid Drainage" on page 24). A provision for these costs is included in Inmet's balance sheet, in accord with recently adopted guidance on asset retirement obligations (see Note 6 of the Notes to Consolidated Financial Statements on page 81).

The environmental impacts reported, for the most part, had no lasting adverse effect on any environmental resources. However, on-going disposal of tailings and waste rock at Ok Tedi continues to have significant and long-lasting environmental impact on the river system and surrounding communities, and is discussed in more detail on page 26. In all cases, considerable financial and other resources are dedicated to the responsible management of the risks associated with these issues.

ACID DRAINAGE

Acid drainage is one of the most significant environmental issues associated with mining worldwide. Economic concentrations of metals are often associated with sulphides, naturally-occurring minerals consisting of metals combined with sulphur. When sulphide minerals are exposed to air and water they can break down to form dilute sulphuric acid ("acid drainage"), a corrosive substance that in turn can initiate the breakdown of other minerals, releasing metals and other constituents into water. Elevated metals concentrations in water can adversely affect the health of aquatic ecosystems.

Prudent scientific studies and engineering can minimize both the generation of acid drainage and its impacts. If necessary, water can be treated chemically to reduce the concentration of deleterious substances so that water can be discharged safely to the environment.

ENVIRONMENTAL INCIDENTS (GRI CORE INDICATORS EN13 AND EN16)

Tracking and analyzing environmental incidents is an important component of Inmet's environmental management system. Inmet has adopted a rigorous internal reporting system for environmental spills and incidents to identify all causes, ensure that appropriate remedies are applied and improve preventative measures. The majority of these were spills of petroleum and unintended releases of water and had negligible environmental impact.

Table 5. Environmental incidents in 2003 by type and operation (GRI Core Indicator EN16)

Type of incident	Number of incidents in 2003					
	Çayeli	Closed Properties	Ok Tedi	Pyhäsalmi	Troilus	Total
Convictions	0	0	0	0	0	0
Fines	0	0	0	0	0	0
Violations	0	1	0	0	0	1
Exceedances	0	1	1	0	4	6
Total spills						
Reportable	0	1	1	0	21	23
Non-reportable	1	6	56	0	23	86

There were no convictions for non-compliance with applicable law and no fines were paid in 2003. Inmet had one notice of violation at its Norbec closed property in Quebec relating to a missed compliance water sample in December 2002. There were six exceedances or permit violations during the year; four at Troilus, one at Winston Lake and one at Ok Tedi, most involving elevated total suspended solids concentrations in surface water samples. In all cases the required reports were made to the appropriate regulatory officials and corrective measures were put in place to prevent a recurrence.

Table 6. Petroleum spills in 2003 (GRI Core Indicator EN13)

Operation	Number of spills	Volume of petroleum spilled (litres)
Ok Tedi	38	1,062
Sturgeon Lake	1	<1
Troilus	41	11,370
Winston Lake	1	<1

Of Troilus' 41 petroleum spills in 2003, 34 occurred due to hose failures on hydraulic shovels, haul trucks, excavators and other heavy mining equipment. Troilus has a rigorous preventative maintenance system to replace aged and damaged hoses to minimize the occurrence of petroleum spills.

Table 7. Unintended releases of impacted water to the environment in 2003 (GRI Core Indicator EN13)

Operation	Type of water	Volume (m^3)
Çayeli	Tailings froth from mill	3
Copper Range	Impacted storm water	50,000
Ok Tedi	Copper concentrate from breached pipeline	<600
Samatosum	Untreated surface water	184
Troilus	Tailings supernatant from impoundment	100
Winston Lake	Untreated surface water	<1

Releases at Copper Range, Samatosum, Troilus and Ok Tedi involved tailings water, impacted storm water, untreated surface water and copper concentrate. The largest release occurred at Copper Range when a water conveyance structure was breached during a severe rainstorm event in mid-May, releasing approximately 50,000 cubic metres of impacted storm water to Pine Creek. This event had no adverse environmental impact since elevated flows occurred throughout rivers of the Upper Peninsula of Michigan at the time of the storm.

MINE WASTE MANAGEMENT

There are two primary types of mine waste: tailings and waste rock. Proper management of these materials is an important aspect of responsible mining to prevent impacts to water and air quality.

Tailings // **Tailings are produced when economic constituents are separated from the uneconomic components of ore (rock) through physical and chemical processes. Tailings essentially consist of sand-like rock particles, and are generally stored in engineered storage facilities called tailings management facilities ("TMFs"). TMFs often consist of engineered dams that impound both tailings and the water that accompanies their discharge.**

Waste Rock // **Waste rock is the uneconomic rock that must be excavated from a mine to retrieve the valuable rock (ore). The amount of waste rock varies from mine to mine, depending upon geological factors, configuration of the ore and mining method.**

Table 8. Mine waste produced by operation in 2003 (Internal PI)

Operation	Tailings discharge to storage (tonnes)	Waste added to storage (tonnes)
Çayeli	324,500	0
Ok Tedi (1)	27,000,000	61,000,000
Pyhäsalmi	460,941	0
Troilus	5,947,815	11,278,990

(1) The Ok Tedi data is taken from the Ok Tedi Fiscal Year 2003 Annual Environmental Report and represents the Ok Tedi Fiscal Year (July 1, 2002 to June 30, 2003) values.

Ok Tedi produces a significant volume of both tailings and waste rock. Ok Tedi's waste rock and tailings are discharged into the Ok Tedi River causing significant environmental impacts on the ecosystem of the Ok Tedi and Fly Rivers. The highest environmental risks are posed by the potential of acid drainage being generated from sulphidic waste and tailings, and the aggradation of the river bed because of the high volumes of mine related sediments. Ok Tedi has adopted an extensive environmental program to monitor and mitigate the potential impacts arising from tailings and water discharge into the river system. Ok Tedi operates a dredge at the junction above the Ok Tedi and Fly River which removes 17 million tonnes of coarse sediments from the river annually.

Çayeli's tailings are discharged by pipeline into the Black Sea at a depth of 275 metres where free oxygen is absent, providing a suitable environment for the permanent storage of sulphidic material. The discharge is regulated under a permit issued by the Turkish regulatory authorities and subject to a rigorous monitoring program. In 1999, Çayeli commissioned a paste backfill plant, which recycles tailings as backfill material for underground support. Çayeli recycled 51 per cent of the tailings produced in 2003. This proportion is expected to increase further in 2004 as paste backfill usage underground is optimized. Çayeli produces a relatively small amount of waste rock, which is mostly used to backfill underground stopes.

At Troilus and Pyhäsalmi, tailings are deposited in engineered impoundments regulated under federal, provincial and regional permits. An approved closure plan involving re-vegetation of the impoundment surface is in place at Troilus; the process of developing a formal closure plan will be initiated at Pyhäsalmi in 2004. Troilus places waste rock from the open pit on an adjacent waste rock dump, which will be re-vegetated at the time of closure. Pyhäsalmi uses a small portion of its tailings and all of its waste rock produced from the underground mine to backfill underground voids.

REGULATORY INSPECTIONS (INTERNAL PI)

The following table lists the number of inspections by environmental regulators during 2003. These inspections are performed by federal, state, provincial, regional and local officials. The 19 inspections in 2003 represent a typical level of inspection activity and no material concerns were raised by the inspectors during their visits.

Table 9. Environmental regulatory inspections by operation and jurisdiction in 2003 (Internal PI)

Operation	Jurisdiction	Number of Inspections
Closed properties	Provincial/State	16
Pyhäsalmi	Regional	1
Troilus	Federal	1
	Provincial	1

THIRD PARTY COMPLIANCE REVIEWS (INTERNAL PI)

Independent third party compliance reviews of operations are performed on a biennial basis as part of Inmet's environmental management system. The reviews evaluate compliance with applicable environmental laws and regulations, Inmet's environmental policy and good management practices ("GMP"). In jurisdictions where legal requirements differ from North American or European Union requirements, conformance against more rigorous standards is evaluated. Following these reviews, an action plan is prepared to address the exceptions identified during the review. Rigorous follow-up of these plans is in place to ensure that all significant exceptions are addressed as quickly as possible.

In 2004 environmental reviews will be performed at Çayeli, Norbec and Troilus. An audit will take place at Pyhäsalmi following the conclusion of the new permitting process, which arises as part of the integrated European Union permitting system.

A qualitative three-level rating system has been developed to communicate the significance of the identified exception to regulatory compliance. This system facilitates proper prioritization of resources when plans are developed and implemented.

Category	Definition
Material	An adverse financial impact to the Corporation is likely; the event may have applicability across the Corporation; operating in the absence of required permits or licenses; a demonstrable and measurable adverse environmental impact has occurred; enforcement activities are likely; repeated case of non-compliance; or uncorrected regulatory exceptions from past audits.
Significant	An adverse financial impact to the operation is likely; monitoring and/or reporting deficiencies associated with valid permits and/or licenses; an adverse environmental impact is likely; or a regulatory agency has made the issue a priority for enforcement.
Minor	No adverse financial impact is likely; a minor technical detail to achieve full compliance; minor permit exceptions or omissions; and any issue with minimal potential for adverse environmental impact or enforcement.

The following table describes the environmental review findings by operation and categorized according to their severity based on the preceding table. Action plans have been prepared by operations management to address all audit findings.

Table 10. Environmental review findings rating by operation and severity (Internal PI)

Operation	Most recent review	Regulatory & policy exceptions, GMP issues			
		Total	Material	Significant	Minor
Çayeli	2002	25	1	6	18
Samatosum	2003	27	0	10	17
Troilus	2002	53	0	13	40

The material regulatory exception at Çayeli related to the applicability of a particular set of emission limit values to Çayeli's deep sea discharge permit. The issue was successfully resolved in discussions between Çayeli and Turkish regulatory authorities.

Three third party environmental reviews were performed at Ok Tedi in 2003. Ok Tedi's environmental management system ("EMS") was evaluated against 16 internal EMS standards, which are modeled on the principles of ISO 14001. Ok Tedi scored 3.6 out of a possible total of 5.0. The second review evaluated Ok Tedi's operational environmental performance at its facilities by comparing performance against an internal action plan. A score of 66 per cent was achieved versus the target of 50 per cent. The third review was designed to evaluate whether Ok Tedi complies with the obligations set out in the environmental regime, whether the correct science is being undertaken in the riverine studies and whether the science being undertaken constitutes good science. The results of this review are currently being evaluated; an action plan is being developed.

WATER USE AND RECYCLING/RE-USE (GRI CORE INDICATOR EN5, ADDITIONAL INDICATOR EN22)

The total volume of water used depends mainly on the milling rate. Net water use (the amount used minus the amount recycled) normalized to the mass of ore milled is also included to provide a better comparison of the efficiency of water use by operation.

Table 11. Water use and recycling/re-use, with total ore milled and production-normalized water use in 2003

Operation	Water use and recycling (m^3)		Total ore milled (tonnes)	Water use normalized to production (m^3 net consumed/ tonnes milled)
	Used	Recycled		
Çayeli	3,250,000	0	930,000	3.5
Ok Tedi	36,190,130	20,109,270	28,200,000	0.6
Pyhäsalmi	6,090,000	503,500	1,330,000	4.2
Troilus	9,750,170	8,000,000	5,980,000	0.3

WATER EFFLUENT EMISSIONS (GRI CORE INDICATOR EN12)

Inmet is primarily engaged in the production of copper and zinc. These are the chemical constituents often regulated in Inmet's permits governing the discharge of industrial effluents and are the two constituents reported on here. By far the largest masses discharged are at Ok Tedi and Çayeli where copper and zinc contained in tailings and waste rock (Ok Tedi only) are included. Copper and zinc discharges at Troilus and Pyhäsalmi are those in water only, since tailings and waste rock are managed in conventional, engineered land-based storage facilities.

Table 12. Discharges of copper and zinc in managed effluent by operation in 2003

Operation	Discharge in managed effluent (kg)		Metal produced (tonnes)	Discharges normalized to metal production (kg/tonne)	
	Copper	Zinc		Copper	Zinc
Çayeli	1,363,499	3,439,137	67,100	20.3	51.3
Closed properties	1,790	634	N/A	N/A	N/A
Ok Tedi	95,795,600	21,172,250	195,714	489.5	108.2
Pyhäsalmi	252	1,050	53,700	0.005	0.02
Troilus	56	206	5,805	0.010	0.04

All discharges are total copper and total zinc. The Çayeli masses reflect tailings deposition in the Black Sea. The Ok Tedi masses reflect riverine discharge of tailings and waste rock.

NPRI INFORMATION

The National Pollutant Release Inventory ("NPRI") was established in 1992 as part of the Canadian Environmental Protection Act. Facilities who meet the NPRI reporting thresholds for listed substances must report releases and transfers of those substances. NPRI is designed to provide information to the public about the releases and transfers of pollutants in their communities. Troilus is the only Inmet property required to report under NPRI although the closed Winston Lake property has continued to report since cessation of operations.

Table 13. Amounts reported under NPRI (Internal PI) in 2003

Property	NPRI substance	NPRI reported amount (kg)
Troilus [1]	Copper and its compounds	6,800,000
	1-Butanol	5,320
Winston Lake (closed)	Copper and its compounds	3
	Zinc and its compounds	74

(1) Troilus copper amounts reflect concentrate production.

AMOUNT OF LAND OWNED OR CONTROLLED (GRI ADDITIONAL INDICATOR EN23)

Approximately 2,000 hectares of the land owned is the tailings basins at Copper Range, which have been successfully re-vegetated and provide a unique ecosystem for many mammals and avian species.

Table 14. Amount of land owned or controlled

Operation	Land owned or controlled (hectares)
Çayeli	17
Closed properties	7,559
Ok Tedi	19,627
Pyhäsalmi	400
Troilus	1,500

ENVIRONMENTAL EXPENDITURES (GRI ADDITIONAL INDICATOR EN35)

Table 15. Environmental expenditures by location

Location	Environmental expenditures in 2003 (in thousands)
Çayeli	$ 370
Closed properties	$ 4,100
Ok Tedi	$ 79,500
Pyhäsalmi	$ 990
Troilus	$ 360

TOWARDS SUSTAINABLE MINING

The Mining Association of Canada's Towards Sustainable Mining ("TSM") has developed a number of Guiding Principles which are designed to broadly govern the Canadian mining industry's performance with respect to a wide-ranging cross-section of sustainability matters. TSM performance indicators have been developed from the TSM Guiding Principles to allow Communities of Interest to more objectively evaluate the more specific performance and identify priorities for improvement. Performance indicators are currently being developed in four areas: tailings management, crisis communication, energy management and Communities of Interest engagement. Inmet will commence reporting against the TSM performance indicators starting in 2004.

Social Performance

The two most fundamental aspects of social performance are Inmet's safety performance and community interactions. Inmet's safety performance, as measured by internationally accepted metrics, continues to outperform external benchmarks. The community interactions have been dominated by the Ok Tedi mine's relationship with the mine-affected communities along the Ok Tedi and Fly Rivers in Papua New Guinea.

Safety Performance (GRI Core Indicator LA7)

Inmet places the safety of its employees and contract workers above all other considerations and is proud of the efforts that are made to put this value into practice at the operations. Inmet's employees and contractors are held to the same high standard. Inmet benchmarks its safety performance against the safety statistics of the Mines and Aggregates Safety and Health Association ("MASHA"), an Ontario mining safe workplace organization.

Inmet's safety performance in 2003 was overshadowed by a fatality at Ok Tedi on July 15 when part of a waste dump failed during a heavy rainstorm, carrying a bulldozer and the operator over the edge of the dump. A third party investigation was commissioned to identify the root causes of the accident. Extensive new procedures are now in place at Ok Tedi, including remote control bulldozers and improved communication protocols.

Inmet reduced its lost time injury frequency ("LTIF") by 12 per cent compared to the 2002 results. Çayeli and Troilus had excellent LTIF performance, with both recording full year rates of 0.7 lost time injuries per 200,000 man hours. Pyhäsalmi's LTIF performance was below expectations although significant progress has been made following Inmet's acquisition of the operation in 2002. Operations' management is committed to continuing to work towards implementing components of Inmet's management system which will improve performance over the long term.

Accident severity increased 18 per cent in 2003 compared to 2002. These results were primarily the result of a 320 per cent increase in the injury severity rate at Pyhäsalmi. Efforts continue to address this performance. Injury severity at Çayeli increased 105 per cent after an outstanding year in 2002; at Troilus the rate declined by 61 per cent. The fatality at Ok Tedi resulted in elevated severity, as the scheduled charge for a fatality is 6,000 days (approximately 24 man years). Inmet's consolidated LTIF and severity rates either met or outperformed Inmet's MASHA benchmark for the fourth consecutive year.

Table 16. Lost time injury frequency and severity by operation and worker type in 2003

Operation	Total man hours	LTIF (per 200,000 man hours)			Severity (lost work days per 200,000 man hours)		
		Employee	Contractor	Total	Employee	Contractor	Total
Çayeli	1,091,040	0.3	1.9	0.7	2	204	62
Ok Tedi	9,654,267	0.2	0.1	0.2	251	1	125
Pyhäsalmi	428,736	3.0	2.1	2.8	96	145	107
Troilus	825,767	0.7	0.8	0.7	44	25	38
Closed properties	19,520	0.0	0.0	0.0	0	0	0
Inmet total	2,365,062	0.9	1.5	1.1	35	129	61
MASHA	27,449,242	1.1	1.4	1.1	74	569	167

Ok Tedi safety results are being consolidated into Inmet's beginning January 1, 2004.

Community Interactions

Table 17. Percentage of employee nationals at non-North American locations as of December 31, 2003 (GRI Core Indicator LA1)

Location	Total employees	National employees	Percentage of national employees
Çayeli (Turkey)	379	373	98
Ok Tedi (PNG)	1,979	1,856	94
Pyhäsalmi (Finland)	212	211	100

An Impact Benefit Agreement between Troilus and the Cree of Mistissini was entered into in 1995. The agreement sets objectives for, among other things, the employment of Cree at Troilus. Troilus employed 51 Cree at the end of December 2003.

Table 18. Number of formal community meetings (Internal PI)

Location	Number of community meetings in 2003
Cerattepe	84
Exploration	8
Ok Tedi	335
Pyhäsalmi	6
Troilus	2

The Cerattepe copper and zinc property, located near Artvin, Turkey, is undergoing feasibility-level assessment, environmental baseline monitoring and community consultation. When developed, ore from Cerattepe will be processed at the Çayeli mill. Productive dialogue with Artvin residents and community groups has been established to inform them of development plans, gain insight into their concerns and incorporate these where feasible into development plans.

The national government of Papua New Guinea ("PNG") passed legislation in November 2001 establishing the basis under which the Ok Tedi mine will continue operating. Among its several components, the legislation required that consent be given by the communities affected by the mine for it to continue to operate. The process of securing the agreement and for negotiating an integrated development package with the communities that reflects the predicted mine impacts occurred under the Community Mine Continuation Agreements ("CMCA") process.

Principal parties to the CMCAs are landowner representatives from six Fly River/Ok Tedi regions, the PNG National Government and Ok Tedi. The Fly River Provincial Government and relevant local level governments were also involved during the CMCA process. The CMCA process was observed by independent non-government organizations, the Individual and Community Rights Advocacy Forum and the PNG Council of Churches. Ok Tedi also provided landowners with negotiation and conflict resolution training through PEACE Foundation Melanesia.

The implementation of the CMCAs is still at a very early stage, however good progress has been made. By the end of 2003, eight village trusts had been established and U.S.$18.1 million had been paid by Ok Tedi into those trusts. Ok Tedi's community relations teams and the communities involved are working to identify investment and business opportunities for local residents to improve their lives now and in the future.

Risk Management

Various aspects of risk management have been in place at Inmet for several years. The various risk management functions are being brought together under an integrated risk evaluation and management program. The Enterprise Risk Management ("ERM") system is designed to quantify the risks of different business functions using a common set of tools, terminology and approaches. ERM will allow Inmet to evaluate the risks of various scenarios by evaluating the impact against Inmet's four fundamental, equally weighted values:

- **Make a profit**
- **Operate safely**
- **Protect the environment**
- **Treat people and communities well**

Mineral Reserves and Resources

OPERATING PROPERTIES

								Contained Metal (x 1000)				Inmet's
	Category	Tonnes (x 1000)	Cu %	Zn %	Au g/t	Ag g/t	S %	Cu tonnes	Zn tonnes	Au ounces	Ag ounces	Interest %
MINERAL RESERVES												
Çayeli	Proven	6,560	4.0	5.7	0.7	43	–	265	376	137	9,069	55%
	Probable	9,370	3.2	5.4	0.5	45	–	301	510	160	13,556	55%
	Total	15,930	3.6	5.6	0.6	44	–	566	886	297	22,625	55%
Pyhäsalmi	Proven	15,090	1.2	2.7	–	–	40	181	407	–	–	100%
	Probable	600	1.1	2.9	–	–	40	7	17	–	–	100%
	Total	15,690	1.2	2.7	–	–	40	188	424	–	–	100%
Troilus	Proven	4,870	0.1	–	0.6	1.1	–	5	–	94	172	100%
	Probable	31,660	0.1	–	0.9	1.1	–	32	–	916	1,120	100%
	Total	36,530	0.1	–	0.9	1.1	–	37	–	1,010	1,292	100%
Ok Tedi	Proven	212,300	0.9	–	1.0	–	–	1,936	–	6,580	–	18%
	Probable	33,200	0.6	–	0.7	–	–	190	–	716	–	18%
	Total	245,500	0.9	–	0.9	–	–	2,126	–	7,296	–	18%
							Total	2,917	1,310	8,603	23,917	
							Inmet's share	919	911	2,487	13,736	
MINERAL RESOURCES												
Çayeli	Inferred	3,200	3.8	5.9	–	–	–	123	190	–	–	55%
Pyhäsalmi	Measured	11,100	0.8	0.6	–	–	43	89	67	–	–	100%
	Indicated	6,000	0.8	0.8	–	–	43	48	48	–	–	100%
	Total	17,100	0.8	0.7	–	–	43	137	115	–	–	100%
							Total	260	305	–	–	
							Inmet's share	205	219	–	–	

UNDEVELOPED PROPERTIES

								Contained Metal (x 1000)				Inmet's
	Category	Tonnes (x 1000)	Cu %	Zn %	Au g/t	Ag g/t	S %	Cu tonnes	Zn tonnes	Au ounces	Ag ounces	Interest %
MINERAL RESERVES												
Cerattepe	Probable	1,320	10.0	0.5	1.3	29	–	132	7	55	1,231	55%
							Total	132	7	55	1,231	
							Inmet's share	73	4	30	677	
MINERAL RESOURCES												
Petaquilla	Indicated	1,096,500	0.5	–	0.1	–	–	5,263	–	3,173	–	48%
Izok	Indicated	16,500	2.2	11.4	–	60	–	363	1,881	–	31,829	100%
							Total	5,626	1,881	3,173	31,829	
							Inmet's share	2,889	1,881	1,523	31,829	

Notes to Mineral Reserves and Resources

Mineral reserves and resources have been estimated at December 31, 2003 in accordance with definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum on August 20, 2000 (the "CIM Definitions").

Reserves and resources for Çayeli were prepared under the supervision of Robert Sim, P.Geol. (Chief Geologist, Çayeli until December 31, 2003), who is a qualified person for the purposes of National Instrument 43-101. Çayeli's reserves and resources are estimated based on a 2.5 per cent copper equivalent cut-off grade which corresponds to a copper price of U.S.$0.90 per pound.

Reserves and resources for Pyhäsalmi were prepared under the joint supervision of Frank Balint, P.Geol. (Vice-President, Corporate Development, Inmet) and Joseph Boaro, P.Eng. (Senior Project Engineer, Pyhäsalmi), who are qualified persons for the purposes of National Instrument 43-101. Pyhäsalmi's reserves have been calculated using a copper price of U.S.$0.90 per pound and an exchange rate of €1.00 = U.S.$1.10 and a net smelter return cut-off of €21.50 per tonne.

Reserves and resources for Troilus were prepared by Eric Lamontagne, P.Eng. (Chief Engineer, Troilus), who is a qualified person for the purposes of National Instrument 43-101. Troilus' reserves have been calculated using a gold price of U.S.$325 per ounce and are based on a cut-off grade of 0.45 grams of gold per tonne.

Reserves for Ok Tedi were prepared by Ok Tedi Mining Limited ("OTML") and provided to Inmet. These reserves as at December 31, 2003 have been determined by adjusting for production between June 30, 2002 and December 31, 2003 reserves calculated and certified as at June 30, 2002 in accordance with the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, published by the joint ore reserves committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Australian Mining Industry Council (the "Australasian Code"). The competent person, as defined in the Australasian Code, responsible for the June 30, 2002 estimate was Stuart L. Green (former Technical Services Manager, OTML). Inmet has not independently verified these reserves. Frank Balint, P.Geol. (Vice-President, Corporate Development, Inmet), a qualified person for the purposes of National Instrument 43-101, has reviewed the relevant definitions of proven and probable reserves under the Australasian Code, in relation to the estimation of proven and probable reserves by OTML, and has concluded that the confidence levels used to categorize those reserves under the Australasian Code are consistent with those required under the CIM Definitions. The Ok Tedi reserves have been calculated using a copper price of U.S.$0.90 per pound and a gold price of U.S.$300 per ounce.

Reserves for Cerattepe were prepared under the supervision of Robert Sim, P.Geol. (Chief Geologist, Çayeli until December 31, 2003), who is a qualified person for the purposes of National Instrument 43-101. Cerattepe's reserves are estimated based on a copper price of U.S.$0.90 per pound.

Resources for Petaquilla include an assessment for mining dilution and recovery and are based on an open pit mine plan with an overall strip ratio of 1.1 to 1. The resources, which were estimated by H. A. Simons, an independent mine engineering firm, in 1998, have been calculated using a net smelter return cut-off of U.S.$3.10 per tonne of ore at a copper price of U.S.$1.10 per pound. This estimate, made before the adoption of National Instrument 43-101, continues to be relevant and reliable and uses categories that are consistent with the CIM Definitions.

Resources for Izok include appropriate mining dilution and recovery factors. The resource estimate calculation contemplates that 90 per cent of the resource could be mined from an open pit with an overall strip ratio of 3.2 to 1 and the remaining resource could be mined from underground. The resources, which were estimated by Strathcona Mineral Services Limited in March 1994, have been calculated using a net smelter return cut-off of U.S.$30 per tonne of ore at a zinc price of U.S.$0.59 per pound and a copper price of U.S.$0.90 per pound. This estimate, made before the adoption of National Instrument 43-101, continues to be relevant and reliable and uses categories that are consistent with the CIM Definitions.

Financial Report 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL STATEMENTS

Cautionary Statement: Some of the disclosures included in this financial report represent forward-looking information. Such statements are subject to inherent risks and uncertainties as they are based on assumptions and estimates related to future economic and market conditions. While the reasonableness of these assumptions is reviewed regularly by management, unusual or unanticipated events could cause actual results to differ materially from those stated in the forward-looking information.

Management's Responsibility for Financial Reporting

The Corporation's management is responsible for the presentation and preparation of the annual consolidated financial statements, management's discussion and analysis ("MD&A") and other information in the Annual Report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") while the MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators.

The consolidated financial statements and MD&A necessarily include amounts based on management's informed judgement and estimates of the expected effects of current or anticipated events and transactions. In preparing financial information, management interprets the requirements described above, makes determinations as to the relevancy of information to be included, and makes estimates and assumptions that affect reported information. The significant accounting policies of the Corporation are summarized on pages 65 to 68. The MD&A also includes information regarding the estimated impact of transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from management's present assessment of this information since future events and circumstances may not occur as expected.

Financial information presented in the Corporation's Annual Report is consistent with that in the consolidated financial statements. In meeting its responsibility for reliability of financial information, management maintains and relies on a system of internal controls. Management also periodically audits or causes to be audited the internal controls. These controls and audits are designed to provide management with reasonable assurance that: the Corporation's financial records are reliable in preparing financial statements and other financial information, the Corporation's assets are safeguarded against unauthorized use or disposition, the Corporation's liabilities are appropriately recognized and the Corporation is in compliance with all applicable legal and regulatory requirements.

The Board of Directors is responsible for reviewing and approving the Corporation's annual consolidated financial statements and its annual MD&A, and for overseeing management's responsibilities for the presentation and preparation of financial information and maintenance of appropriate internal controls. The Board has delegated these oversight responsibilities to the Audit Committee, comprised entirely of unrelated directors as defined under the Toronto Stock Exchange corporate governance guidelines.

The Corporation's external, independent auditors, KPMG LLP, have full and free access to the Board of Directors and its committees to discuss audit, financial reporting and related matters. They have been appointed by shareholders to conduct an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and to express an opinion as to whether the consolidated financial statements present fairly the Corporation's consolidated financial position and operating results in accordance with Canadian GAAP. KPMG's report is on page 69.

Richard Ross

Richard A. Ross
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

J. Oswald

Jo-Anne Oswald
VICE-PRESIDENT, FINANCE AND
CHIEF FINANCIAL OFFICER

February 5, 2004

With the strong cash flow generated from our operations and our robust balance sheet, Inmet has the financial capacity to deliver on its strategy to grow.

JO-ANNE OSWALD, *Vice-President, Finance and Chief Financial Officer*

Management's Discussion and Analysis

The following is a discussion and analysis of the consolidated financial condition and results of operations of Inmet. The discussion and analysis should be read in conjunction with the financial information included in the consolidated financial statements. In this document, Inmet Mining Corporation may be referred to as the "Company", and the Company, together with its subsidiaries, associates and joint ventures may be referred to as "Inmet".

The financial information has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and is reported in Canadian dollars. Additional Company disclosures, including Inmet's Annual Information Form, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website, operated by the Canadian Securities Administrators, at www.sedar.com.

Corporate Overview

The Company

Inmet Mining Corporation is a Canadian based international mining company and its common shares (symbol – IMN) are traded on the Toronto Stock Exchange ("TSX"). The Company and its subsidiaries operate three mines (Çayeli, Pyhäsalmi and Troilus) and have a joint venture interest in one other mine (Ok Tedi). Inmet's core business is operating low cost, long life base metal mines and its principal products are copper and zinc concentrates, with some gold, silver and pyrite production. Inmet's mines mainly produce metal concentrates which are sold to smelters and refineries who further process the concentrates into refined metal.

The Company's competitive position is based on its ability to acquire and operate low cost mining operations, the sensitivity of its earnings and cash flow to metal price changes (in particular copper) and the Company's strong financial position.

The following chart highlights Inmet's ownership structure by principal metal and by entity, and the accounting method used to incorporate the financial results of each entity into the Company's consolidated financial statements:

Inmet Mining Corporation

Principal Metal	**Copper**	**Copper**	**Copper**	**Gold**	**Zinc**
By-product metal	zinc	gold	–	copper	copper
Operating	**55% Çayeli** [1] (Turkey)	**18% Ok Tedi** [2] (Papua New Guinea)		**100% Troilus** (Canada)	
	100% Pyhäsalmi (Finland)				
Development			**55% Cerattepe** (Turkey)		**100% Izok** (Canada)

Consolidated   Proportionately consolidated

(1) Consolidated from April 1, 2002. Prior to that time Çayeli was proportionately consolidated.

(2) Proportionately consolidated from July 1, 2003. Prior to that time Ok Tedi was cost accounted.

Corporate Strategy

The Company's strategy, as established four years ago, is **to grow as a base metal mining company providing superior returns to shareholders**. This strategy remains relevant as the Company has the resources to grow and the knowledge and experience to ensure that growth achieves superior returns to shareholders.

OBJECTIVES

In order to achieve this strategy, the Company has established the following objectives for 2004:

- Inmet's share price to outperform the S&P/TSX diversified metals and mining index.
- Exceed the following budgeted production and financial targets:

2004 Performance Objectives

Key Performance Indicator	Objective
Production of copper	78,000 tonnes
Production of zinc	63,000 tonnes
Production of gold	258,000 ounces
Copper cash cost	U.S.$0.38 per pound
Gold cash cost	U.S.$272 per ounce

- Grow through expansion of existing operations, acquisition of a producing mine, development of a property or successful exploration results.
- Achieve further advancements in the management of employee safety and health.
- Complete implementation of a formal enterprise risk management system and meet the Mining Association of Canada ("MAC") requirements under its "Toward Sustainable Mining" initiative.

The Company has successfully executed its overall strategy since it was developed four years ago. Specifically, in 2003, the following objectives related to the strategy were achieved:

- **Inmet's share price to outperform the S&P/TSX diversified metals and mining index.**
  The Company's share price exceeded the S&P/TSX diversified metals and mining index by 65 per cent over the past year. In December 2003 the Company was added to the S&P/TSX composite index due to the significant increase in both the Company's market capitalization and liquidity during 2003.

- **Meet budgeted production and financial targets.**
  This objective relates specifically to the Company achieving certain key performance indicators. These performance drivers are both financial and production based, and focus on growth, earnings and cash flows. The following table shows Inmet's success in achieving this objective in 2003:

2003 Performance Objectives

Key Performance Indicator	Objective	Actual
Production of copper	75,000 tonnes	74,000 tonnes
Production of zinc	52,000 tonnes	57,000 tonnes
Production of gold	247,000 ounces	255,000 ounces
Copper cash cost (per pound)	U.S.$0.46	U.S.$0.39
Gold cash cost (per ounce)	U.S.$262	U.S.$259

- **Grow through further acquisitions or expansions of existing operations.**
  Inmet has been successful in achieving its growth objective over the past few years. Specific to 2003, Inmet made the following progress:

  - Doubled reserves at Troilus and extended its mine life a further four years by adding 490,000 ounces of recoverable gold.
  - Reached an agreement to acquire the Cerattepe development project, which hosts a high grade copper deposit. The property is located approximately 200 kilometres from the Çayeli mine site.
  - Acquired the Rize exploration properties, which comprise two mineral licenses adjacent to the current holdings of Çayéli.
  - Increased reserves and increased throughput at its operations.

  In addition, in 2003 the Company realized the value of certain contingent assets as follows:

  - $110 million was received in payment of the amount to which Inmet was entitled as a result of the British Columbia Court of Appeal's decision on Homestake Canada, Inc.'s failure to complete the purchase of the Troilus mine.
  - $31.2 million was received from the sale of Inmet's 3.3 per cent net proceeds interest ("NPI") in Antamina.

  These two items increased Inmet's cash balance by over $140 million to $230 million at December 31, 2003. The Company currently intends to use this cash to finance growth.

- **Continue to improve safety and health performance.**
  Lost time injury frequency declined 12 per cent from 2002 to 2003 and continue to outperform industry benchmarks.

Capability to Deliver Results

The Company believes that it can continue to provide superior returns to shareholders by achieving its objective to meet or exceed its key performance indicators and by achieving its objective to grow. Over the past several years the Company has exceeded its objectives. With respect to its ability to deliver on its strategy to grow, the Company has the expertise and also the financial capacity to finance growth and fund its requirements for sustaining capital and corporate expenditures due to the strong cash flows generated from operations and its robust balance sheet.

In 2003, Inmet's operations generated free cash flow, after capital expenditures and financing activities, of $53 million. Operating cash flows are highly dependent on metal prices. For every U.S.$0.10 change in the copper price operating cash flows can increase or decrease by approximately $14 million ($0.36 per share). Minimizing costs also plays a vital role in achieving strong cash flows. Inmet has demonstrated an ability to generate positive operating cash flows in low metal price environments through its low cost structure.

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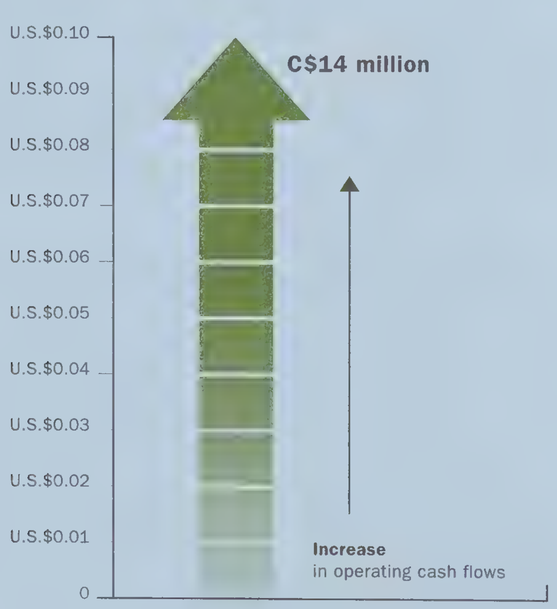


At December 31, 2003, the Company had a cash balance of $230 million, which is an increase of $154 million from one year prior. Inmet accumulated this cash in 2003 as follows:

Consolidated Cash Increase for 2003

(millions of Canadian dollars)		2003
Free cash flow from Ok Tedi	$	40
Free cash flow from Pyhäsalmi		21
Free cash flow from Troilus		2
Use of cash at Çayeli		(10)
Free cash flow from operations		53
Troilus litigation settlement		110
Proceeds from Antamina NPI		31
Corporate credit facility repayments		(40)
Increase in cash for 2003	$	154

The Company's management system is directed by a core executive team to whom all critical information is provided. This facilitates timely decision making, and effective risk management and opportunity identification. The Company's goal is to grow in a disciplined manner and it is determined that its management information systems, including its risk management and reporting systems, will develop in the same systematic and thorough manner. The Company also has the management systems and controls in place to ensure the proper integration of acquisitions or expansion of existing operations. In addition, it has systems and procedures in place to ensure information is disclosed accurately and on a timely basis to the capital markets.

Corporate Results

Net income in 2003 of $179.5 million or $4.46 per share includes the Troilus litigation proceeds of $109.6 million and $31.2 million from the sale of the Company's NPI relating to the Antamina mine. Earnings before these transactions were $31.4 million higher in 2003 compared to 2002 as a result of higher metal prices, the proportionate consolidation of Ok Tedi, reduced stock based compensation expense and a full year of earnings from Pyhäsalmi. Pyhäsalmi was acquired in 2002 and fully consolidated effective April 1, 2002 and, as of July 1, 2003, Ok Tedi was proportionately consolidated.

The table below presents a summary of Inmet's consolidated statements of operations by source.

(millions of Canadian dollars, except per share amounts)		2003		2002
Operations' earnings (1)				
Çayeli (2)	$	**29.1**	$	25.3
Pyhäsalmi		**17.1**		8.8
Troilus		**11.0**		12.5
Ok Tedi (3)		**24.4**		–
Reclamation costs		**(2.0)**		(2.1)
		79.6		44.5
Corporate development and exploration		**(4.1)**		(4.9)
General and administration		**(5.3)**		(5.2)
Stock based compensation		**(2.5)**		(5.3)
Investment and other income		**8.1**		3.9
Interest expense		**(5.7)**		(7.1)
Income and capital taxes		**(22.7)**		(12.5)
Non controlling interest		**(8.7)**		(6.1)
Net income before the under noted		**38.7**		7.3
Troilus litigation settlement		**109.6**		–
Gain on sale of Antamina NPI		**31.2**		–
Net income	$	**179.5**	$	7.3
Basic net income per share	$	**4.46**	$	0.09
Diluted net income per share	$	**4.01**	$	0.09

(1) Sales less cost of sales, amortization and reclamation costs at closed sites.

(2) For the period up to and including March 31, 2002, Inmet's 49 per cent interest was proportionately consolidated. From April 1, 2002, Çayeli has been fully consolidated.

(3) For the period up to and including June 30, 2003, Ok Tedi was cost accounted. From July 1, 2003, Ok Tedi has been proportionately consolidated.

On November 14, 2003, the British Columbia Court of Appeal dismissed an appeal by Homestake Canada, Inc. and affirmed an earlier B.C. Supreme Court judgment that awarded the Company $88.2 million and costs for Homestake Canada's failure to complete the purchase of the Troilus mine. The Court of Appeal also allowed the Company's cross-appeal and awarded the Company pre-judgment interest on the $88.2 million. A settlement of the judgment award was concluded in late 2003. A gain of $109.6 million was included in 2003 earnings, net of litigation costs.

The proceeds received from the sale of the Antamina NPI, of $31.2 million, were included in 2003 earnings as the carrying value of the NPI was nil.

Neither transaction triggered any taxes as the Company has sufficient tax losses available to offset any tax liability arising.

COMPARABILITY OF RESULTS

On July 1, 2003, the Company began proportionately consolidating its 18 per cent interest in Ok Tedi. Prior to July 1, 2003, the Company cost accounted for Ok Tedi. In 2003, prior to the accounting change, $15.6 million in dividends were received and, in 2002, $6.0 million were received. The dividends were not recorded as income but as a reduction in the carrying value of Ok Tedi. In March 2002, the Company acquired a 100 per cent interest in Pyhäsalmi and included the results of operations in the Company's consolidated accounts effective April 1, 2002. Also in March 2002, the Company increased its interest in Çayeli from 49 per cent to 55 per cent and commenced full consolidation of the results of Çayeli effective April 1, 2002 (previously proportionately consolidated). These changes affect the comparability of reported results.

The following table identifies changes in net income between 2003 and 2002:

(millions of Canadian dollars)		Change
Increased metal prices	$	**22**
Foreign exchange rate changes on sales and costs		**(21)**
Çayeli		
Lower sales volumes		**(2)**
Higher operating costs		**(3)**
Pyhäsalmi		
First quarter 2003 net income		**3**
Higher sales volumes		**3**
Reduced operating costs and use of tax losses		**2**
Troilus		
Lower sales volumes		**(6)**
Reduced operating costs		**6**
Decreased amortization		**2**
Proportionate consolidation of Ok Tedi		**17**
Lower stock based compensation expense		**3**
Foreign exchange rate change on debt		**3**
Troilus litigation settlement		**110**
Sale of Antamina NPI		**31**
Other		**2**
Increase in 2003 net income compared to 2002	$	**172**

METAL MARKETS REVIEW

Base metal prices increased substantially during 2003. Copper prices started the year at U.S.$0.70 per pound and closed, 50 per cent higher, at U.S.$1.05 per pound. Zinc prices rose by 35 per cent from U.S.$0.34 per pound to U.S.$0.46 per pound by year end.

During the second half of 2003, leading economic indicators pointed to strong growth which suggested that the world economy was coming out of a prolonged period of slow economic growth. This growth was supported by the expanding Chinese economy, which once again saw annual growth in GDP of almost 10 per cent. In 2003, copper consumption in China rose 24 per cent and zinc consumption growth was up 15 per cent. Speculative fund long positions also grew throughout the year which accelerated metal price increases. Base metal prices should remain strong in 2004, although prices could be impacted by slower than expected United States economic growth or a faltering in the double digit growth rates in China.

Copper raw materials were in a deficit position for most of 2003. This resulted in a significant reduction in smelter treatment and refining charges which have dropped to levels of approximately U.S.$45 per tonne of copper concentrate and U.S.$0.045 per pound of copper. Zinc raw materials were also in a slight deficit position during 2003.

Gold prices increased substantially in 2003 from U.S.$343 per ounce at the beginning of the year to end 2003 at U.S.$417 per ounce, a rise of 22 per cent. Gold has traded as an alternative currency to the United States dollar, with the metal showing a strong negative correlation during 2003 of 85 per cent to the United States dollar trade weighted index. Gold prices also benefited from producers buying back hedge positions. For 2004, if the United States dollar remains weak relative to other major currencies gold prices should remain strong for much of 2004.

SALES REVIEW

The Company's consolidated sales by operation, metal and volume are presented below:

(millions of Canadian dollars)	**2003**	2002
Net sales by operation (1)		
Çayeli	**$ 78.4**	$ 73.6
Pyhäsalmi	**71.9**	47.7
Troilus	**81.9**	90.7
Ok Tedi	**69.9**	–
	$ 302.1	$ 212.0
Net sales by metal (1)		
Copper	**$ 134.9**	$ 80.2
Zinc	**43.7**	32.8
Gold	**99.9**	80.6
Other	**23.6**	18.4
	$ 302.1	$ 212.0

	2003	2002
Sales by metal volume (1)		
Copper (tonnes)	**72,100**	51,100
Zinc (tonnes)	**70,800**	56,800
Gold (ounces)	**215,500**	167,000

(1) Sales include 49 per cent of Çayeli's sales up to March 31, 2002 and 100 per cent thereafter. Pyhäsalmi's sales are included commencing on April 1, 2002 and 18 per cent of Ok Tedi's sales are included commencing on July 1, 2003.

NET SALES BY METAL 2003

Net sales increased substantially in 2003 compared to 2002, mainly as a result of a full year's consolidation of sales at Pyhäsalmi compared to only nine months in 2002, as well as the proportionate consolidation of Ok Tedi. Together, these items contributed $87 million to the increase in sales in 2003. Excluding the effects from Pyhäsalmi and Ok Tedi, sales volumes were consistent between years with adverse foreign exchange rate changes

largely offsetting the benefit of improved metal prices. The realized metal prices and foreign exchange rates for the past two years are shown in the following chart:

	2003	2002
Copper (per pound)	**U.S.$0.85**	U.S.$0.70
Zinc (per pound)	**U.S.$0.38**	U.S.$0.35
Gold (per ounce)	**U.S.$343**	U.S.$317
1 U.S.$ to C$	**$ 1.40**	$ 1.57

The gold price realized by the Company was lower than the average gold spot price for 2003 because of hedging in place at Troilus and Ok Tedi.

Excluding the impact of the inclusion of Ok Tedi's sales in 2003, the overall impact of higher metal prices increased revenues by approximately $36 million in 2003 compared to 2002; however, foreign exchange rate changes offset approximately $23 million of this benefit.

2004 Outlook for Sales – The sales objectives for 2004 are consistent with the production objectives. Volumes are expected to increase and with a full year of consolidation of Ok Tedi, sales should increase considerably, assuming metal prices are similar to those of 2003.

The Company's net sales are significantly affected by fluctuations in metal prices and in the exchange rate between the Canadian dollar, United States dollar and euro.

The prices of metals that Inmet produces vary with market supply and demand. The following table illustrates the sensitivity of the Company's net income to changes in metal prices based on 2004 sales estimates and constant foreign exchange rates:

	Change in Metal Prices	Effect on Net Income	Effect Per Share
Copper (per pound)	U.S.$ 0.10	$ 14 million	$ 0.36
Zinc (per pound)	U.S.$ 0.05	$ 4 million	$ 0.10
Gold (per ounce) (1)	U.S.$ 10.00	$ 1 million	$ 0.03

(1) Calculations include hedging in place at December 31, 2003.

In order to mitigate the impact of declining metal prices, Inmet from time to time enters into certain hedge transactions. The Company has hedging policies for both metals and currencies.

The following table includes the Company's gold hedging transactions, in relation to Troilus, as at December 31, 2003:

	Hedge Volume (ounces)	Anticipated Production Hedged	Average Hedged Price (per ounce)
2004 forward sales	128,300	80%	U.S.$333
2005 forward sales	108,300	70%	U.S.$342
2006 forward sales	103,400	65%	U.S.$356
Total forward sales	**340,000**	**38%** (1)	**U.S.$342**

(1) Relative to life-of-mine production.

Because of the high cost nature of the Troilus operation, the Company used forward sales to ensure positive cash flow in the event of a decline in gold prices to levels that were experienced between 1998 and 2002. The Company does not at this time intend to enter into further gold forward sales relating to Troilus production.

The following table includes Inmet's 18 per cent share of gold hedging transactions at Ok Tedi, as at December 31, 2003:

	Hedge Volume (ounces)	Anticipated Production Hedged	Average Hedged Price (per ounce)
2004 forward sales	10,350	10%	U.S.$366
2005 forward sales	13,500	10%	U.S.$367
2006 forward sales	13,500	10%	U.S.$369
2007 forward sales	13,500	10%	U.S.$371
2008 forward sales	6,750	5%	U.S.$372
2004 bought put options	16,200	15%	U.S.$375
2004 sold call options	16,200		U.S.$461

All hedging transactions are under margin-free facilities. As at December 31, 2003, the spot price of gold was U.S.$415 per ounce, which resulted in a negative marked-to-market value of $42 million.

The Company has not hedged any of its base metal exposure.

In addition to copper, zinc and gold, Inmet has limited exposure to the pyrite market. Pyrite is a metal by-product of the Pyhäsalmi operation. It accounts for 20 per cent of Pyhäsalmi's net sales and five per cent of the Company's consolidated net sales. Pyrite is used for energy production, sulphuric acid production and iron oxide applications. The price is influenced mainly by the sulphur market. The price received by Pyhäsalmi for its pyrite sales has been constant over the past years and there is no indication to expect otherwise in the near future.

The Company's main currency exposures are to the United States dollar and, to a lesser extent, the euro. In the absence of metal price movements, the impact of a $0.05 strengthening in the Canadian to United States dollar exchange rate would decrease net income by approximately $3 million ($0.08 per share) and a $0.05 increase in the Canadian dollar relative to the euro would decrease net income by approximately $1 million ($0.03 per share).

In order to mitigate some of the risk of a weakening United States dollar, the Company has put in place the following hedge structure for United States dollars, in relation to Troilus' revenues:

	Hedge Volume (millions)	Anticipated Production Hedged	Average Hedged Price
Currency			
2004 bought put options	U.S.$ 18	30%	$ 1.5033
2004 sold call options	U.S.$ 18		$ 1.5933
2005 bought put options	U.S.$10.5	20%	$ 1.5033
2005 sold call options	U.S.$10.5		$ 1.5933

As at December 31, 2003 the positive marked-to-market value of the Company's currency hedges was $6 million, based on a Canadian dollar to United States dollar spot exchange rate at that date of $1.30.

Credit risk, with respect to the commodity and currency contracts outlined above, arises from the potential failure of counterparties to settle on contracts that are favourable to the Company. The Company manages this risk by dealing with highly-rated counterparties in accordance with its metal hedging policy.

Operations Review

Every year the Company establishes objectives at each of its operations in relation to its overall corporate strategy. The following includes a discussion, by operation, of performance in 2003 at each operation in comparison to both the prior year and the 2003 forecast as disclosed in the Company's third quarter interim management's discussion and analysis. The 2004 objectives, and factors that could impact on each operation's ability to achieve them, are also discussed.

Çayeli

OBJECTIVES

The key objectives established at Çayeli for 2004 include:

- **Achieve key performance indicators**
  – as described in the chart below
- **Growth**
  – increase reserves through exploration efforts
  – allow cost effective access to reserves at depth through successful advancement of the shaft extension
  – complete the feasibility study for the Cerattepe development property

Key Performance Indicators *(100 per cent)*

	2002 Actual	**2003 Actual**	2003 Forecast	**2004 Objective**
Metal production				
Copper tonnes	32,600	**33,500**	35,000	**42,000**
Zinc tonnes	33,100	**33,600**	36,000	**52,000**
Cash cost (1)	U.S.$0.43	**U.S.$0.47**	U.S.$0.42	**U.S.$0.42**
Total cost (1)	U.S.$0.48	**U.S.$0.52**	U.S.$0.47	**U.S.$0.49**

(1) Per pound of copper. In estimating the by-product credit included in the 2004 objective for copper unit costs, a zinc price of U.S.$0.40 per pound was used.

The key performance indicators were impacted in 2003 because of a series of groundfalls that occurred in the underground mine in late October 2002. The groundfall event stopped production for about six weeks in 2002 and resulted in reduced production rates to mid-2003.

The impact of the groundfall also reduced flexibility in the mine, which resulted in lower than anticipated copper and zinc production when compared to the 2003 forecast. As well, 2003 cash costs and total costs per pound are higher than forecasted due to the lower production as well as higher costs. The increased costs were largely due to foreign exchange rate changes as the impact of the appreciating Turkish lira resulted in higher United States dollar costs at Çayeli. Approximately 65 per cent of Çayeli's operating costs are Turkish lira-based. In addition, the operation incurred incremental costs for ground support.

ÇAYELI BREAKDOWN OF DIRECT CASH COSTS

By mid-2003, Çayeli was operating at throughput rates in excess of the pre-groundfall event levels of one million tonnes per year. The 2004 objectives reflect targeted production at a rate of 1.2 million tonnes per year. Çayeli expects to shut down the mine for about two weeks in 2004 to replace part of the concrete floor in the main access ramp, which was damaged during the October 2002 groundfall event. There are certain risks that could impact production in 2004, including production disruptions as Çayeli's shaft is extended as well as ongoing underground conditions. As well, Çayeli's collective bargaining agreement expired in May 2003. If labour negotiations are not successful, production could be impacted.

Unit cash costs are influenced by metal production, costs and by-product credits. Higher zinc production increases by-product credits included in cash unit costs and reduces cash costs. Higher copper production reduces cash costs by allocating fixed costs over more production. The 2004 cash cost objective has decreased from 2003 to reflect higher zinc production and therefore higher by-product credits. In addition, mill expansions over the last few years have increased production capacity. The mill is expected to operate at its expanded annual capacity of 1.25 million tonnes in 2004, which should result in lower cash costs. Labour costs are also a significant component of cash costs. In 2003, labour costs were higher than expected because of the weaker United States dollar relative to the Turkish lira. This negative trend could continue if the Turkish lira continues to appreciate against the United States dollar.

The shaft extension, which started in late 2003, allows the possibility to further increase reserves as Çayeli will have access to the deep ore zone. Over the past four years, additional reserves of eight million tonnes have been defined in the deep part of the ore body. Exploration drilling in the vicinity of the Çayeli ore body has the potential to also increase reserves. In addition, with the agreement to acquire the Cerattepe property, Çayeli has added 1.3 million tonnes to probable reserves. A feasibility study on the Cerattepe property should be completed later in 2004.

CAPABILITY TO DELIVER RESULTS

Generating strong cash flows in 2004 will allow Çayeli to fund its shaft extension. Cash flows are affected by metal prices and costs. A U.S.$0.10 per pound change in the copper price impacts Çayeli's cash flow by $5 million and a U.S.$0.05 per pound change in the zinc price impacts cash flow by $2 million. In addition, foreign exchange rate changes can influence costs. In 2003, inflation in Turkey was approximately 18 per cent, whereas the Turkish lira strengthened approximately 13 per cent relative to the United States dollar. This resulted in higher United States dollar costs of 31 per cent. For 2003, the strengthening of the Turkish lira increased costs by approximately $4 million. In the past, inflation has risen in tandem with the weakening of the Turkish lira relative to the United States dollar, which resulted in no material change in United States dollar costs. As it is not possible to accurately estimate inflation in Turkey or currency rate changes, it is difficult to determine how these factors will affect Çayeli's future results.

FINANCIAL RESULTS

Çayeli Financial Information

(49 per cent share to March 31, 2002, 100 per cent thereafter)

(millions of Canadian dollars unless otherwise stated)		2003		2002
Sales analysis				
Copper sales (tonnes)		**30,400**		32,700
Copper price (U.S.$ per pound)	**$**	**0.84**	$	0.70
C$/U.S.$ exchange rate	**$**	**1.40**	$	1.57
Gross copper sales	**$**	**78.8**	$	79.9
Copper processing charges and freight		**(21.6)**		(26.9)
Net copper sales		**57.2**		53.0
Net zinc sales		**18.9**		17.5
Other metal sales		**2.3**		3.1
Net sales	**$**	**78.4**	$	73.6
Cost analysis				
Mill throughput (tonnes)		**930,000**		757,000
Direct cash costs (U.S.$ per tonne)	**$**	**34.96**	$	29.91
Direct costs of production	**$**	**45.4**	$	35.4
Change in inventory		**(3.5)**		5.6
Amortization and other non cash costs		**7.4**		7.3
Operating costs	**$**	**49.3**	$	48.3
Operating earnings	**$**	**29.1**	$	25.3
Operating cash flows	**$**	**10.0**	$	30.3

The 2002 groundfall event had a negative impact on sales and working capital in 2003 as production ramped up in early 2003, following the groundfall. As well, inventory and receivables were re-established at historical levels, which resulted in a $19 million build up in working capital in 2003.

Also, following the groundfall event costs incurred related to the standby period and rehabilitation totalled U.S.$13.0 million, of which U.S.$4.4 million was incurred in 2002. As the event was insurable, a total of U.S.$11.0 million of costs have been recorded as an insurance receivable. To December 31, 2003, payments totalling U.S.$7.5 million have been received from Çayeli's insurance. Discussions with the insurance company regarding a final settlement are ongoing.

In 2003, the discussions regarding renewal of Çayeli's lease at the local port facility were concluded and a commercial settlement was agreed upon between all parties.

Pyhäsalmi

OBJECTIVES

The key objectives established at Pyhäsalmi for 2004 include:

- **Achieve key performance indicators**
  – as described in the chart below
- **Growth**
  – increase reserves through exploration efforts

Key Performance Indicators *(100 per cent)*

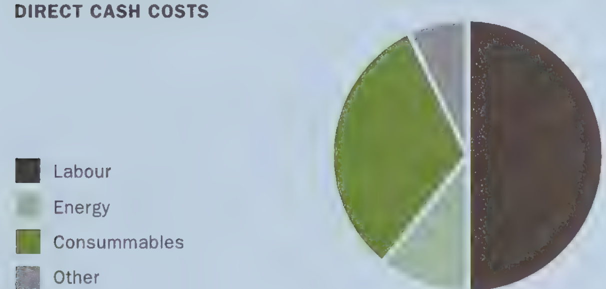
	2002 Actual (1)	**2003 Actual**	2003 Forecast	**2004 Objective**
Metal production:				
Copper tonnes	14,400	**14,900**	14,900	**12,600**
Zinc tonnes	34,500	**38,800**	36,300	**34,200**
Pyrite tonnes	570,500	**673,600**	667,000	**694,000**
Cash cost (2)	U.S.$0.28	**U.S.$0.18**	U.S.$0.25	**U.S.$0.27**
Total cost (2)	U.S.$0.47	**U.S.$0.43**	U.S.$0.49	**U.S.$0.56**

(1) Represents full year, for information purposes only. Pyhäsalmi's results were consolidated effective April 1, 2002.

(2) Per pound of copper. In estimating the by-product credit included in the 2004 objective for copper unit costs, a zinc price of U.S.$0.40 per pound was used.

At Pyhäsalmi, copper production in 2003 met expectations and zinc production surpassed expectations. The increased zinc production resulted in higher by-product credits and therefore cash and total costs per pound were also better than expected.

PYHÄSALMI BREAKDOWN OF DIRECT CASH COSTS



Pyhäsalmi's operating results have exceeded the Company's expectations since the time of its acquisition in March 2002. Looking forward, the Company believes Pyhäsalmi can achieve its objectives, subject to certain risks which could impact production and costs. Pyhäsalmi's ability to mine large stopes is a crucial element of its efficient cost structure and when Pyhäsalmi mines more secondary stopes, costs tend to increase as is reflected in the 2004 objective. As the mine matures, ground conditions could become increasingly difficult and therefore costs could increase and production disruptions could occur. In 2003, Pyhäsalmi developed a rock mechanical management system to review all aspects of ground control such as support methods, monitoring, modelling, expert reviews and audits to alleviate part of this risk. The 2004 objective shows lower production for both copper and zinc, which is indicative of lower grades being mined. In 2004, Pyhäsalmi will apply for a new environmental permit under the integrated European Union permitting system.

Pyhäsalmi's growth initiatives include an exploration program in 2004 to review geology directly around the deposit, in the mine vicinity and in the Pyhäsalmi region. In addition, Pyhäsalmi will review other opportunities to improve its operation.

CAPABILITY TO DELIVER RESULTS

Pyhäsalmi generated strong free cash flow in 2003 and 2002. Cash flows are affected by production levels, metal prices, foreign exchange rates and costs. A U.S.$0.10 per pound change in the copper price impacts Pyhäsalmi's cash flow by $2 million and a U.S.$0.05 per pound change in the zinc price impacts cash flow by $2 million. In addition, foreign exchange rate changes impact on cash flow. A U.S.$0.05 strengthening in the United States dollar relative to the euro can increase revenues by approximately $3 million and a $0.05 weakening in the Canadian dollar relative to the euro can increase costs by approximately $1 million.

FINANCIAL RESULTS

Pyhäsalmi Financial Information *(100 per cent)*

(millions of Canadian dollars unless otherwise stated)		**Year 2003**		9 Months 2002
Sales analysis				
Copper sales (tonnes)		**14,800**		11,400
Copper price (U.S.$ per pound)	**$**	**0.82**	$	0.71
C$/U.S.$ exchange rate	**$**	**1.40**	$	1.52
Gross copper sales	**$**	**37.0**	$	27.0
Copper processing charges and freight		**(9.5)**		(8.5)
Net copper sales		**27.5**		18.5
Net zinc sales		**24.8**		15.3
Other metal sales		**19.6**		13.9
Net sales	**$**	**71.9**	$	47.7
Cost analysis				
Mill throughput (tonnes)		**1,330,000**		939,000
Direct cash costs (€ per tonne)	**€**	**20.70**	€	21.20
Direct costs of production	**$**	**43.7**	$	30.1
Change in inventory		**(0.5)**		1.3
Amortization and other non cash costs		**11.6**		7.5
Operating costs	**$**	**54.8**	$	38.9
Operating earnings	**$**	**17.1**	$	8.8
Operating cash flows	**$**	**27.2**	$	20.1

On a comparative basis, 2003 earnings improved significantly largely due to increased zinc production. Zinc production increased in 2003 due to higher mill throughput and higher zinc grades. The metal price improvements in 2003 compared to 2002 were mostly offset by the weaker United States dollar compared to the euro. Cash costs in 2003 of U.S.$0.18 per pound compared to 2002 costs of U.S.$0.28 per pound were lower mainly due to higher zinc and pyrite production.

Troilus

OBJECTIVES

The key objectives established at Troilus for 2004 include:

- **Achieve key performance indicators**
  – as described in the chart below
- **Growth**
  – conduct feasibility to evaluate potential for further production increases
  – increase reserves through exploration efforts

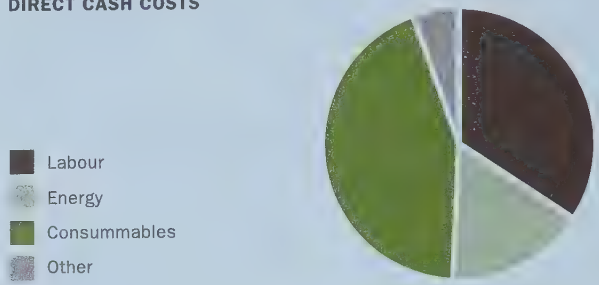
***Key Performance Indicators** (100 per cent)*

	2002 Actual	**2003 Actual**	2003 Forecast	**2004 Objective**
Metal production:				
Gold ounces	164,900	**164,100**	165,000	**158,000**
Cash cost (1)	U.S.$247	**U.S.$259**	U.S.$257	**U.S.$272**
Total cost (1)	U.S.$267	**U.S.$272**	U.S.$271	**U.S.$305**

(1) Per ounce of gold. In estimating the by-product credit included in the 2004 objective for gold unit costs, a copper price of U.S.$0.85 per pound was used.

Troilus achieved its expected result for 2003. Looking forward, lower production of gold is expected in 2004 as a result of a decrease in gold grade. The risks of not achieving expected production results are minimal, but like any open pit mine there are risks associated with pit wall stability and equipment failures. Troilus takes all appropriate precautions in this area by employing good blasting practices and bi-annual audits by independent geotechnical experts, as well as proper maintenance of equipment. Gold cash costs are impacted by the amount of copper produced as a by-product credit, operating costs and gold production. Copper production is expected to be somewhat lower in 2004 than in 2003. In addition, operating costs are expected to be higher in 2004, reflecting the higher expected cost for utilities and supplies.

TROILUS BREAKDOWN OF DIRECT CASH COSTS



Troilus' growth initiative is also focused on exploration in the vicinity of the main ore bodies. During 2004, a review of other possibilities to explore for economically significant gold exploration targets beyond the current property will also be undertaken.

CAPABILITY TO DELIVER RESULTS

Troilus is a low margin operation, but even with high capital spending in 2003, cash flows remained positive. Because Troilus is a high cost gold operation, the Company's strategy is to have sufficient gold hedging in place to ensure that the operation is cash positive every year. If Troilus does not roll forward any of its hedges currently in place for 2004, it will realize a gold price of U.S.$333 per ounce for approximately 80 per cent of its sales. For its unhedged production, a U.S.$10 per ounce change in the gold price is expected to impact Troilus' 2004 cash flow by $0.4 million and a $0.05 strengthening in the United States dollar is expected to increase revenues by approximately $5 million. In addition, Troilus is sensitive to changes in the price of fuel; for every $0.05 per litre change in the fuel price, Troilus' cash flows are impacted by approximately $0.7 million. In 2003, fuel prices increased by $0.05 per litre.

FINANCIAL RESULTS

Troilus Financial Information *(100 per cent)*

(millions of Canadian dollars unless otherwise stated)	2003	2002
Sales analysis		
Gold sales (ounces)	**159,000**	167,000
Gold price (U.S.$ per ounce)	**$ 334**	$ 317
C$/U.S.$ exchange rate	**$ 1.40**	$ 1.57
Gross gold sales	**$ 75.0**	$ 83.2
Gold processing charges	**(2.5)**	(2.6)
Net gold sales	**72.5**	80.6
Net copper sales	**8.4**	8.7
Other metal sales	**1.0**	1.4
Net sales	**$ 81.9**	$ 90.7
Cost analysis		
Mill throughput (tonnes)	**5,980,000**	5,730,000
Direct cash costs before stripping adjustment (1)	**$ 12.23**	$ 12.95
Amortized stripping (1)	**0.61**	0.16
Capitalized stripping (1)	**(1.32)**	(0.67)
Direct cash costs (1)	**$ 11.52**	$ 12.44
Direct costs of production	**$ 68.8**	$ 71.3
Change in inventory	**(1.6)**	1.3
Amortization and other non cash costs	**3.7**	5.6
Operating costs	**$ 70.9**	$ 78.2
Operating earnings	**$ 11.0**	$ 12.5
Operating cash flows	**$ 17.9**	$ 31.7

(1) C$ per tonne.

Troilus recognized a gold price of U.S.$334 per ounce in 2003 compared to U.S.$317 in 2002 due to a rise in the gold price. In 2003, approximately 55 per cent of sales were hedged and in 2002 approximately 45 per cent were hedged. Despite the rise in the gold price, the weakening of the United States dollar and lower sales volumes resulted in lower sales in 2003 compared to 2002. Lower production costs in 2003 offset some of the negative foreign exchange impacts, but operating earnings were still $1.5 million less than 2002 operating earnings. Operating cash flows in 2003 decreased by $13.8 million compared to 2002 mainly due to working capital changes. The significant inflow of cash in 2002 included $10 million from accelerating receipt of gold receivables.

Ok Tedi

OBJECTIVES

The key objectives established at Ok Tedi for 2004 include:

- **Achieve key performance indicators**
  – as described in the chart below
- **Growth**
  – increase reserves through exploration efforts

Key Performance Indicators *(100 per cent for the full year)*

	2002 Actual	**2003 Actual**	2003 Forecast	**2004 Objective**
Metal production:				
Copper tonnes	211,300	**195,700**	193,000	**213,000**
Gold ounces	514,900	**503,400**	500,000	**555,000**
Cash cost (1)	U.S.$0.44	**U.S.$0.44**	U.S.$0.45	**U.S.$0.39**
Total cost (1)	U.S.$0.59	**U.S.$0.55**	U.S.$0.55	**U.S.$0.45**

(1) Per pound of copper. In estimating the by-product credit included in the 2004 objective for copper unit costs, a gold price of U.S.$375 per ounce was used.

Production was lower in 2003 compared to 2002 largely due to a scheduled repair of one of Ok Tedi's two SAG mills, which reduced throughput early in 2003. Ok Tedi achieved its 2003 forecast and is anticipating improvements in 2004 with higher expected throughput and mill recoveries. A mechanical failure of the other Ok Tedi SAG mill occurred in January 2004. Ok Tedi is expected to operate at a minimum of 50 per cent of production capacity during February and March 2004 while repairs are completed. During this time, Ok Tedi will operate using only one SAG mill. It is expected that the 2004 production targets may be somewhat impacted by this failure. Another risk of not achieving the increased throughput is dry weather caused by El Niño weather patterns. If the weather is dry for an extended period the Fly River becomes unnavigable, which impacts transportation of copper concentrates.

In 2004, Ok Tedi has plans to investigate a number of identified exploration targets with the goal of increasing reserves.

CAPABILITY TO DELIVER RESULTS

In 2003, the Company received over $28 million in dividends from Ok Tedi and based on projected production and expected metal prices, in 2004 Ok Tedi should deliver substantial dividends again to the Company. A U.S.$0.10 per pound change in the copper price impacts Inmet's share of Ok Tedi's cash flows by approximately $6 million and U.S.$10 per ounce change in the gold price impacts cash flow by $1 million. Ok Tedi's costs are also impacted by other exchange rate changes as its costs are United States dollar based, Australian dollar based and Papua New Guinea kina based. If the Australian dollar strengthens by A$0.05 relative to the United States dollar, Inmet's share of operating costs increases by approximately $2 million and if the Papua New Guinea kina strengthens by kina 0.05 relative to the United States dollar, Inmet's share of operating costs increases by $2 million. Ok Tedi has a hedging program in place which will ensure a minimum gold price in 2004 of U.S.$371 per ounce for approximately 25 per cent of its gold sales.

FINANCIAL RESULTS

Ok Tedi Financial Information ***(100 per cent)***

(millions of Canadian dollars unless otherwise stated)		**2003**		2002
Sales analysis				
Copper sales (tonnes)		**233,300**		181,100
Copper price (U.S.$ per pound)	**$**	**0.82**	$	0.70
C$/U.S.$ exchange rate	**$**	**1.40**	$	1.57
Gross copper sales	**$**	**587.2**	$	438.0
Gross gold and silver sales		**302.8**		188.6
Processing charges and freight		**(179.7)**		(131.8)
Net sales	**$**	**710.3**	$	494.8
Cost analysis				
Mill throughput (tonnes)		**28,200,000**		30,400,000
Direct cash costs (U.S.$ per tonne)	**$**	**9.98**	$	9.03
Direct costs of production	**$**	**394.3**	$	430.5
Capital expenditures		**12.0**		17.6
Standby costs during mill repair		**25.0**		–
Tax payments		**43.6**		29.1
Working capital decrease		**(11.1)**		(21.5)
Other		**14.4**		6.0
Operating costs	**$**	**478.2**	$	461.7
Available cash flow before dividend payments	**$**	**232.1**	$	33.1
Inmet's 18% share of dividends	**$**	**28.5**	$	6.0

Production at Ok Tedi for 2003 was below levels in 2002 largely due to reduced mill throughput. Sales, on the other hand, surpassed prior year levels as concentrates stockpiled during the 2002 El Niño weather pattern were sold during 2003. Net sales increased 44 per cent, which is related to increased volumes sold. The benefits of increased copper and gold prices were offset by a stronger Canadian dollar to United States dollar exchange rate.

OK TEDI BREAKDOWN OF DIRECT CASH COSTS

As of July 1, 2003, the Company changed its method of accounting for its 18 per cent investment in Ok Tedi from cost accounting to proportionate consolidation. This method of accounting reflects the new governance arrangements in place at Ok Tedi, which give the shareholders joint control over its strategic decisions. Ok Tedi's balance sheet and results from operations have been proportionately consolidated effective July 1, 2003 and are now disclosed as a separate segment in the Company's segmented financial statements. Prior to July 1, 2003, the Company cost accounted for its 18 per cent investment in Ok Tedi. Under this method, earnings were only recognized on receipt of dividends paid from Ok Tedi's earnings which had accumulated from April 1, 2000. However, when the dividend exceeded the Company's share of post April 1, 2000 earnings from Ok Tedi, the dividend was recorded as a reduction in the carrying value of the Company's investment in Ok Tedi. In 2003, prior to July 1, the Company received $15.6 million in dividends that were recorded as a reduction in the carrying value of the Company's investment in Ok Tedi. In 2002, dividends amounting to $6.0 million were received and were also recorded as a reduction in Ok Tedi's carrying value. From July 1, 2003, the Company's share of Ok Tedi's cash flows are reflected in the consolidated statements of cash flow.

Income Statement Review

Corporate Development and Exploration

(millions of Canadian dollars)		2003		2002
Exploration	**$**	**2.9**	$	3.9
Mergers and acquisitions		**1.2**		1.0
	$	**4.1**	$	4.9

2004 Outlook for Corporate Development and Exploration – As described in the Operations Review, opportunities close to the Company's operations will be explored and development project opportunities will be evaluated. It is expected that approximately $5 million will be spent on these growth initiatives during 2004.

General and Administration

Costs included within general and administration largely relate to managing the Company and its strategic direction. General and administration expenditures of $5.3 million in 2003 were marginally higher than 2002 expenditures of $5.2 million.

2004 Outlook for General and Administration – General and administration costs in 2004 should be similar to the previous year.

Stock Based Compensation

Stock based compensation expense has two components – stock options and deferred share units ("DSUs"). The majority of the stock based compensation expense recorded is a result of the Company recognizing the value of the cash stock appreciation right ("SAR") feature on its stock options and DSUs. The SARs were required to be accounted for as a liability, re-measured on an ongoing basis at each reporting date based on changes in the fair value of the underlying stock. The Company measured the compensation cost as the amount by which the quoted market price of the Company's shares exceeded the various option exercise prices to determine the aggregate liability at each reporting date. Effective in the fourth quarter of 2002, all directors and senior officers signed irrevocable waivers, which allowed the Company to eliminate the SAR feature on the majority of its outstanding stock options. As of the waiver dates, any liability associated with the stock options was reclassified to shareholders' equity. Going forward, stock based compensation expense for these option holders is determined using a fair value approach.

The remaining option holders, located at the Company's operations, retained the SAR feature on their stock options and therefore in 2002 and 2003 these options are accounted for as a liability.

As of January 1, 2004, the remaining option holders with the SAR feature have signed irrevocable waivers allowing the Company to eliminate the SAR feature on all outstanding stock options. As of the waiver date, the $2.5 million liability associated with the stock options will be reclassified to shareholders' equity. Based on the fair value of stock options at the time of their original grant, there remains an additional $0.2 million to be expensed equally over the next two years.

The Company's directors also waived their rights in respect of the SAR feature of the DSUs effective January 1, 2003 and the $2.8 million liability associated with the DSUs was reclassified to shareholders' equity in 2003. No further compensation expense should be recorded with regard to the existing DSUs.

The following table shows the components of stock based compensation expense:

(millions of Canadian dollars)		2003		2002
Stock options, with SAR feature	**$**	**2.4**	$	4.1
Stock options, without SAR feature		**0.1**		–
DSUs		**–**		1.2
	$	**2.5**	$	5.3

As a result of the appreciation in the Company's share price during 2003 and 2002, a charge to earnings of $2.4 million and $4.1 million, respectively, was recorded specific to stock options with the SAR feature. In 2003, the expense related to stock options with the SAR feature represented the appreciation in the Company's share price in the year from $6.00 at the start of 2003 to $17.45 at year end. The expense related to options and DSUs for 2002, totalling $5.3 million, represents the appreciation in the Company's share price from $3.15 at the start of 2002 to $6.00 at December 31, 2002.

2004 Outlook for Stock Based Compensation – In 2004, there should be about $0.1 million expensed relating to stock based compensation.

Investment and Other Income

(millions of Canadian dollars)	2003	2002
Troilus litigation proceeds, net of related litigation costs	$ 109.6	$ (0.4)
Gain on sale of Antamina NPI	31.2	–
Gain on sale of asset	2.0	1.2
Interest income	1.7	1.3
Foreign exchange gain	3.5	0.3
Pension expense	(1.2)	(1.2)
Other	2.1	2.7
	$ 148.9	$ 3.9

In 2003, the Company received proceeds from Homestake Canada in regard to the award to which Inmet was entitled as a result of the British Columbia Court of Appeal's decision on Homestake Canada's failure to complete the purchase of the Troilus mine. The settlement of $109.6 million is net of litigation expenses incurred in 2003. The gain on sale of the Antamina NPI represents proceeds received from the sale, as the carrying value for the Antamina NPI was nil. The foreign exchange gain largely relates to changes in exchange rates between the United States dollar and Canadian dollar on the Company's United States dollar denominated debt, which was fully repaid in July 2003.

2004 Outlook for Investment and Other Income – There are no expected proceeds from asset sales in 2004 and, because of the repayment of the United States dollar denominated debt, foreign exchange gains or losses recorded through investment and other income should be minimal. Interest income is expected to increase as a result of the Company's increased cash balance.

Interest Expense

(millions of Canadian dollars)	2003	2002
Revolving credit facility	$ 1.3	$ 2.0
Convertible debentures	1.1	1.3
Çayeli project financing	0.2	0.4
Çayeli other interest	0.5	1.6
Promissory note	1.3	1.0
Other	1.3	0.8
	$ 5.7	$ 7.1

The Company's revolving credit facility was fully repaid in July 2003 and, as a result, interest expense decreased in 2003 in comparison to 2002. In addition, Çayeli was accruing interest on an unpaid dividend from May 2002, of which $0.5 million in 2003 and $1.6 million in 2002 represents the interest owing to non-controlling interests. The dividend was paid in 2003. Other interest charges include amortization to fair value of the promissory note to Outokumpu Oyj and amortization of financing costs related to the credit facility.

2004 Outlook for Interest Expense – Due to the significant reduction in debt, interest expense in 2004 should be about half of that incurred in 2003.

Income Tax Expense

(millions of Canadian dollars)	2003	2002
Çayeli taxes	**$ 10.0**	$ 9.8
Pyhäsalmi taxes	**3.0**	1.2
Ok Tedi taxes	**7.7**	–
Corporate taxes	**0.8**	0.5
	$ 21.5	$ 11.5

At the corporate level, the Company has significant tax benefits from capital tax losses and mining resource pools available to offset taxable income over the foreseeable future. The tax expense in 2003 and 2002 reflects large corporation taxes and taxes relating to Canadian subsidiaries.

The Turkish tax rate in 2003 was 42 per cent and includes corporate tax, state and mining tax, and withholding tax. In 2002, the tax rate was 50 per cent. The change in rate is a result of the reduction of the basic corporate tax rate plus a reduction in withholding taxes. The 2003 tax expense at Çayeli had an effective tax rate of 35 per cent, which reflects the impact of a stronger Turkish lira on taxable income. A stronger Turkish lira results in lower Turkish lira revenues and therefore lower taxes payable.

The statutory tax rate at Pyhäsalmi is 36 per cent which includes corporate tax and withholding tax. The effective rate in 2003 was 16 per cent (2002 – 13 per cent) since interest on intergroup loans reduced the taxes payable. In addition, in 2003 Pyhäsalmi utilized approximately $0.6 million of tax loss carry-forwards reducing tax expense accordingly.

The statutory tax rate at Ok Tedi is 37 per cent. The effective rate in 2003 was 31 per cent, which is a result of tax savings from lower taxable income resulting from foreign exchange losses in the Papua New Guinea kina based tax financial statements.

2004 Outlook for Income Tax Expense – With respect to taxable Canadian income, the Company has recognized a future tax asset of $8.1 million. A portion of this asset may be charged to earnings in 2004 subject to profitability of Troilus. The Company has additional Canadian tax losses available to offset future Canadian taxable income and Canadian taxable capital gains in the amount of $145 million for which a tax asset has not been recorded. If it becomes more likely than not that the Company will use a portion of these unrecorded tax losses, the Company will at that time increase its tax asset.

Çayeli's effective tax rate in the next few years is expected to range between 42 to 45 per cent. The effective rate is contingent on the degree of devaluation of the Turkish lira, taxable income and the balance of United States dollar denominated net monetary assets.

At Pyhäsalmi, as a result of interest expense on intergroup loans, the effective tax rate is expected to be less than the 36 per cent statutory rate and, subject to the level of income, should approximate 15 per cent. For 2005, the Finnish government has announced a statutory tax rate cut which would reduce the statutory rate to 33 per cent.

Ok Tedi's effective rate in 2004 should be 37 per cent, but can be affected by foreign exchange movements as Ok Tedi's taxes are payable based on local currency financial statements.

Liquidity

In 2003, the Company's cash and short-term investments increased $153 million to end the year with a balance of $230 million. The following table describes the Company's consolidated sources and uses of cash over the last two years:

Consolidated Sources and Uses of Cash

(millions of Canadian dollars)	2003	2002
Cash and short-term investments, beginning of year	$ 77	$ 64
Cash provided by (used in) operating activities:		
Çayeli	10	30
Pyhäsalmi	27	20
Troilus	18	32
Ok Tedi	43	6
	98	88
Corporate development and exploration	(4)	(5)
General and administration	(5)	(5)
Investment income and other	(2)	1
Reclamation costs, net of asset sales	(4)	(5)
	83	74
Cash provided by (used in) investing activities:		
Troilus litigation settlement	110	–
Sale of Antamina NPI	31	–
Acquisition of Pyhäsalmi	–	(65)
Acquisition of 6% of Çayeli (net of cash acquired)	–	(3)
Other dispositions	8	–
Capital assets and other	(33)	(28)
	116	(96)
Cash provided by (used in) financing activities:		
Debt borrowings	–	47
Debt repayments	(48)	(10)
Other financing	(3)	(3)
	(51)	34
Cash on consolidation of Ok Tedi	9	–
Foreign exchange on cash balances	(4)	1
Cash and short-term investments, end of year	$ 230	$ 77

Operating Cash Flow

The Company generated strong operating cash flows in both 2003 and 2002. The following table shows the significant changes between years:

(millions of Canadian dollars)	Change
Increased metal prices	$ 22
Foreign exchange rate changes on sales and costs	(21)
Çayeli	
Lower sales volume	(2)
Higher operating costs	(3)
Change in non-cash working capital	(20)
Pyhäsalmi	
First quarter 2003 operating cash flows	4
Higher sales volumes	3
Troilus	
Lower sales volumes	(6)
Cash related operating costs	10
Change in non-cash working capital	(14)
Ok Tedi	
Dividends	10
Operating cash flows from July 1, 2003	27
Increase in operating cash flow	**$ 10**

At Çayeli, operating cash flow was lower due to decreased production and an increase in the use of cash to build up working capital as the mine ramped up production in 2003 following the late-2002 groundfall event. Working capital levels are not expected to fluctuate greatly in 2004.

At Pyhäsalmi, operating cash flows represent a full year of production, whereas 2002 represented cash flows for the nine months subsequent to the acquisition in March 2002. Operating cash flow is indicative of the operation's strong earnings results.

At Troilus, operating earnings in 2003 were somewhat below the prior year, which is reflected in the lower operating cash flows. In addition, in 2002 Troilus had a $10 million positive impact from working capital changes as a result of the advance receipt of gold receivables.

Ok Tedi's 2002 operating cash flow contribution was from a $6 million dividend. Operating cash flow in 2003 includes $16 million in dividends and $27 million in operating cash flows, which were recorded from July 1 to December 31

when the Company commenced proportionately consolidating Ok Tedi.

In 2004, the Company is expecting strong operating cash flows in part because of the expectation of continuing strong metal prices.

Investing Cash Flow

Cash flows from investing activities include the sale and acquisition of assets as well as capital spending. In 2003, the Company received $110 million from a litigation settlement and $31 million from the sale of its net proceeds interest in Antamina. In 2002, the cash component of the Pyhäsalmi acquisition was $65 million. Six per cent of Çayeli was acquired in 2002 for $11 million less $8 million of cash acquired on consolidation.

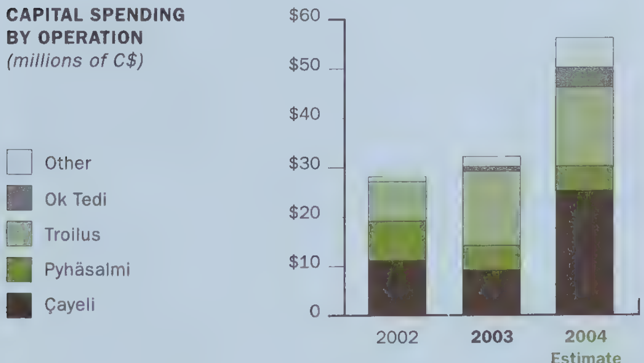
Capital spending in 2003 was $5 million higher than 2002 and the details by operation are included in the table below:

Capital Spending by Operation

(millions of Canadian dollars)	2003	2002	Estimate 2004
Çayeli	$ 9	$ 11	$ 25
Pyhäsalmi	5	8	5
Troilus capital	7	4	10
Troilus capitalized stripping	8	4	6
Ok Tedi	1	–	4
Other	2	1	6
	$ 32	$ 28	$ 56

At Çayeli, capital expenditures in 2003 consisted of mine development, mill upgrades and the replacement of mine mobile equipment. Capital expenditures in 2002 related to replacement of the tailings pipeline and improvements in the mill. In 2004, Çayeli is expecting to spend $25 million (U.S.$19 million), of which $11 million is in relation to the mine shaft extension project and the remainder on underground mine development, mobile equipment replacement, upgrades in the mill and surface facilities, and other sustaining capital expenditures. Ongoing sustaining capital is expected to approximate $4 million (U.S.$3 million) a year.

CAPITAL SPENDING BY OPERATION
(millions of C$)



In addition to the Çayeli capital spending, $5 million is expected to be spent on the development of the Cerattepe deposit.

At Pyhäsalmi, 2003 capital expenditures included mine development as well as the acquisition of mobile equipment. In 2002, capital spending related to mine development, construction of a new waste pass and modification to the mill control room. In 2004, Pyhäsalmi is expected to incur $5 million (€3 million) in capital, which is largely sustaining capital and underground mine development. Sustaining capital for this mine is expected to be approximately $3 million (€2 million) per year.

At Troilus, capital expenditures in 2003 related to replacement of mine equipment and improvements made as part of the extension of the Troilus mine life from four to eight years. In 2002, capital related to preparatory work for development of the J-4 pit, a lift to its tailings dam and replacement of various mine equipment. The higher capitalized stripping in 2003 is a result of more waste mined because of the commencement of production of the J-4 pit and a push-back of the 87 pit. For 2004, Troilus is expected to spend $10 million as it continues to replace mine equipment and prepare the J-4 pit and about $6 million is expected to be capitalized related to excess stripping. Sustaining capital requirements are estimated to average about $4 million per year for the remainder of the mine life. Capital expenditures for the mill expansion are not included in the 2004 capital estimate, as the expansion is currently being evaluated.

At Ok Tedi, capital spending for 2003 was U.S.$8.5 million, of which U.S.$1.6 million was spent since July 1, 2003 after which Ok Tedi's 18 per cent share of capital expenditures ($0.5 million) is included in the Company's results. Ok Tedi's spending in 2003 largely was incurred for mobile equipment. In 2004, Ok Tedi expects to spend U.S.$18 million for replacements of part of its fleet. The Company's share, in Canadian dollars, of expected 2004 capital expenditures is $4 million. Sustaining capital expenditures at Ok Tedi are approximately U.S.$8 million per year (Inmet's share in Canadian dollars is $2 million).

Financing Cash Flow

The following table summarizes the Company's contractual obligations including principal payments and interest:

Contractual Obligations

(millions of Canadian dollars)	2004	2005 and 2006	2007 and 2008	After 2008	Total
Long-term debt	$ 4	$ 3	$ 3	$ 29	$ 39
Convertible debentures	3	6	66	–	75
Reclamation	4	8	11	77	100
Operating leases	6	6	12	2	26
Purchase commitments	11	7	–	–	18
Pension obligations	–	3	2	2	7
Total	$ 28	$ 33	$ 94	$ 110	$ 265

At December 31, 2003, the Company has amounts owing on three debt facilities: a project loan at Çayeli; a convertible debenture; and, a promissory note. The Çayeli project loan at December 31, 2003 was U.S.$2.1 million and will be fully repaid in 2004. In 2003, U.S.$4.1 million ($6.1 million) was repaid. The Company's corporate credit facility, with a balance of U.S.$28.8 million at December 31, 2002, was fully repaid in 2003. The Company's convertible debentures have a face value of $64 million and mature in September 2007. At maturity, the Company has the option to repay the convertible debentures in cash or convert the convertible debentures into shares of the Company. As well, at any time, the Company may elect to redeem the debentures at face value. The Company has issued a €14 million promissory note to Outokumpu, which is repayable in October 2013.

Reclamation costs in the near term are mainly with respect to closed mines and long-term water treatment. Costs after 2008 include the closure of the Company's operating mines plus long-term water treatment.

The operating leases relate to certain mine equipment, sea vessels and air transport vehicles at Ok Tedi.

Purchase commitments relate to the Çayeli shaft extension project.

Inmet maintains defined benefit and defined contribution pension plans in Canada and the United States. These pension plans have been self-funded for a number of years, with any required contributions being funded by cash surpluses in the pension plans. With the considerable downturn in the North American capital markets in 2001 and 2002, the United States pension surplus was eliminated, and the Canadian pension surplus has dropped considerably.

In 2004, the Company will fund its Canadian defined contribution pension plan requirements, of about $1.2 million, with its current cash reserves. As the defined benefit plan is currently in a surplus, the Company does not have a cash funding requirement in 2004.

In 2003, Inmet cash funded about $0.2 million with regard to the United States pension plan. It is estimated that further cash funding of approximately $7 million is required during the next 10 years to fully fund the United States pension plan. This assumes a 7.5 per cent annual return on pension assets.

The pension funding information is based on a number of assumptions, including return on pension assets, rate of compensation increases, retirement age, mortality rates and long-term bond rates. The funding estimates described above are management's best estimates at this time. Actual experience may differ from the Company's assumptions, which may affect expected funding requirements.

The Company continually reviews its pension plans in an effort to mitigate increasing pension costs. For its non-active pension members, the Company will, where it considers it appropriate to do so, purchase annuities, in order to cap its future liability, while at the same time providing the agreed upon pension to its pension members.

Financial Condition

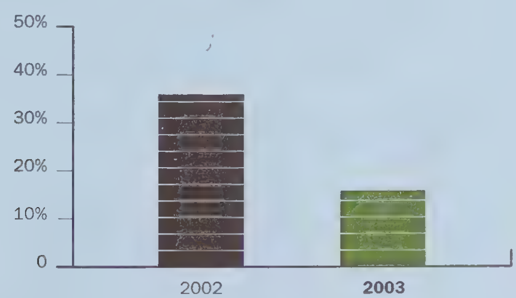
The Company's key financial ratios improved in 2003 compared to 2002 principally as a result of the cash received from litigation proceeds and the sale of the Antamina NPI, the reduction of debt and the Company's strong operating results. The following table summarizes certain of the Company's key financial ratios as at December 31:

Key Financial Ratios

	2003	2002
Current ratio	**4.7**	2.4
Debt to total capitalization	**16%**	36%
Net book value per share	**$ 9.36**	$ 5.11

In evaluating its leverage, the Company considers the outstanding convertible debentures as debt; for that reason the convertible debentures are reflected as debt in the debt to total capitalization ratio. For financial reporting purposes, the convertible debentures are allocated between equity and debt on the balance sheet.

DEBT TO TOTAL CAPITALIZATION



The net book value of the Company's assets is summarized below:

Net Book Value of Assets

(millions of Canadian dollars, except share amounts)	2003	2002
Consolidated cash and short-term investments	**$ 230.3**	$ 76.5
Pyhäsalmi	**95.3**	102.7
Ok Tedi	**30.7**	65.2
Troilus	**50.2**	41.0
Çayeli	**30.8**	24.9
Izok	**26.4**	26.3
Petaquilla	**16.7**	16.7
Other	**(5.7)**	5.5
	474.7	358.8
Reclamation liabilities	**(32.2)**	(34.3)
Convertible debentures (1)	**(55.2)**	(53.2)
Corporate credit facility	**–**	(45.4)
Promissory note	**(16.5)**	(15.3)
Çayeli project loan	**(2.7)**	(9.9)
Net book value	**$ 368.1**	$ 200.7
Shares outstanding	**39,348,139**	39,283,100
Net book value per share	**$ 9.36**	$ 5.11

(1) Net of unamortized issue costs and discount of $8.9 million at December 31, 2003.

The amounts in the table represent book value, which is based on historical information. The Troilus litigation proceeds and the sale of the Antamina NPI account for $3.58 per share of the $4.25 per share increase in book value. In addition to increases due to annual earnings, net realizable values may also change because of period end foreign exchange rates.

Supplementary Information

Fourth Quarter and Quarterly Review

The following table shows the Company's consolidated statements of operations on a quarterly basis for 2003 and 2002:

2003 Statements of Operations

(thousands of Canadian dollars, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2003
Sales	$ 44,781	$ 57,092	$ 90,562	$ 109,712	$ 302,147
Cost of sales	(32,448)	(41,915)	(62,072)	(65,430)	(201,865)
Amortization	(4,424)	(4,577)	(5,005)	(6,718)	(20,724)
	7,909	10,600	23,485	37,564	79,558
Corporate development and exploration	(1,090)	(580)	(1,002)	(1,385)	(4,057)
General and administration	(1,139)	(1,072)	(1,022)	(2,061)	(5,294)
Stock based compensation	(84)	(62)	(580)	(1,796)	(2,522)
Investment and other income	4,499	1,238	30,270	112,907	148,914
Interest expense	(1,924)	(1,532)	(1,236)	(1,003)	(5,695)
Capital tax expense	(228)	(172)	(186)	(587)	(1,173)
Income tax expense	(968)	(1,487)	(7,290)	(11,742)	(21,487)
Non controlling interest	(503)	(1,957)	(1,953)	(4,334)	(8,747)
Net income	$ 6,472	$ 4,976	$ 40,486	$ 127,563	$ 179,497
Net income per common share (1)	$ 0.14	$ 0.10	$ 1.00	$ 3.21	$ 4.46
Diluted net income per common share (1)	$ 0.14	$ 0.10	$ 0.90	$ 2.83	$ 4.01

2002 Statements of Operations

(thousands of Canadian dollars, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2002
Sales	$ 38,549	$ 60,080	$ 52,860	$ 60,484	$ 211,973
Cost of sales	(28,641)	(41,826)	(39,017)	(42,445)	(151,929)
Amortization	(1,616)	(4,377)	(4,794)	(4,752)	(15,539)
	8,292	13,877	9,049	13,287	44,505
Corporate development and exploration	(1,132)	(1,711)	(877)	(1,206)	(4,926)
General and administration	(1,168)	(1,146)	(1,126)	(1,793)	(5,233)
Stock based compensation	(1,584)	(2,627)	1,400	(2,447)	(5,258)
Investment and other income	215	2,631	1,430	(347)	3,929
Interest expense	(447)	(2,062)	(2,338)	(2,211)	(7,058)
Capital tax expense	(181)	(182)	(333)	(331)	(1,027)
Income tax expense	(2,903)	(4,266)	(1,746)	(2,593)	(11,508)
Non controlling interest	14	(2,231)	(1,943)	(1,934)	(6,094)
Net income	$ 1,106	$ 2,283	$ 3,516	$ 425	$ 7,330
Net income (loss) per common share (1)	$ 0.01	$ 0.02	$ 0.07	$ (0.01)	$ 0.09
Diluted net income (loss) per common share (1)	$ 0.01	$ 0.02	$ 0.07	$ (0.01)	$ 0.09

(1) Refer to page 86 for the method of calculating net income per common share. Due to the method of calculation, quarterly calculations do not necessarily add to the annual per share figures.

Reviewing the 2003 quarterly results shows increasing earnings, particularly in the third and fourth quarter. The significant events, which occurred during these periods, are as follows:

- Effective July 1, 2003, the Company changed its method of accounting for its investment in Ok Tedi from cost accounting to proportionate consolidation. Prior to July 1, the statements of operations did not include the results from the Ok Tedi operation and in the third and fourth quarter 18 per cent of Ok Tedi's operating results were consolidated into the Company's results. Ok Tedi's statements of operations for the third and fourth quarter are as follows:

***Ok Tedi Statements of Operations** (18 per cent)*

(millions of dollars)	Third quarter	Fourth quarter
Sales	$ 27.9	$ 42.0
Cost of sales	(18.6)	(23.8)
Amortization	(1.2)	(1.9)
	8.1	16.3
Income tax expense	(2.9)	(4.8)
Net income	$ 5.2	$ 11.5

The increase in Ok Tedi's net income between the third and fourth quarter is a result of increased sales volumes. In the fourth quarter, Ok Tedi reduced its concentrate stockpiles by 45,000 tonnes to end the year with a stockpile of 67,000 tonnes.

- In November 2003, Inmet received $110.9 million, net of litigation related costs, ($109.6 million for the full year) as settlement regarding Homestake Canada's failure, in 1997, to complete the purchase of the Troilus mine.
- Inmet sold its NPI in the Antamina mine in the third quarter of 2003 for proceeds of $31.2 million.
- Metal prices were rising steadily throughout 2003, however the United States dollar was also weakening over this same period offsetting some of the benefit realized from the higher metal prices. The largest jump in metal prices was seen in the fourth quarter and despite the substantial weakening of the United States dollar, the increase in the United States dollar metal prices more than offset the negative impact from foreign exchange rate changes. The following table shows metal prices and exchange rates realized by the Company over the four quarters in 2003.

Metal Prices Realized and Foreign Exchange Rates

	First quarter	Second quarter	Third quarter	Fourth quarter
Copper (U.S.$ per pound)	U.S.$0.75	U.S.$0.74	U.S.$0.79	U.S.$0.97
Zinc (U.S.$ per pound)	U.S.$0.36	U.S.$0.35	U.S.$0.37	U.S.$0.43
Gold (U.S.$ per ounce)	U.S.$327	U.S.$337	U.S.$347	U.S.$355
1 U.S.$ to C$	$1.51	$1.40	$1.38	$1.32

- Stock based compensation expense increased considerably in the fourth quarter as a result of the 130 per cent appreciation of the Company's share price in the quarter, as illustrated in the following table. The Company had approximately 210,000 stock options outstanding with a stock appreciation rights (SAR) feature. With the substantial share price increase, the stock based compensation expense increased at a similar rate, which is a function of the SAR feature of the stock options.

Inmet Share Price

	December 31 2002	March 31 2003	June 30 2003	September 30 2003	December 31 2003
Period end share price	$ 6.00	$ 6.25	$ 6.85	$ 9.70	$ 17.45
Quarterly increase relative to 2002 year end share price	–	4%	10%	48%	130%

For the full year, the share price increased by more than 190 per cent.

Critical Accounting Policies and Estimates

Pages 65 to 68 of the Annual Report include a full listing of the Company's significant accounting polices. The selected accounting policies that follow are those which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the year. The estimates and assumptions are based on management's judgements and knowledge with the objective to present financial information that fairly present in all material respects the financial condition and results of operations of the Company. As well as describing the selected accounting method, where relevant, alternative accounting methods are discussed.

CAPITAL ASSETS

Capital assets comprise the following at December 31, 2003:

(millions of Canadian dollars)		
Property	$	72
Plant and equipment		141
Capitalized stripping		19
Deferred development		27
	$	259

(a) Property

Property is amortized on the unit-of-production method based on the economic life of the related deposit, which is based on mining rates and proven and probable reserves. The calculation to determine proven and probable reserves is prepared by qualified persons according to accepted practice. A proven and probable reserve estimate can change for a number of reasons, including a change to assumed metal prices, exchange rates, production costs, new results from drilling and exploration activities. Mineral reserves at December 31, 2003 for the Company's operating mines are based on a copper price of U.S.$0.90 per pound and a gold price ranging from U.S.$300 to U.S.$325 per ounce. Any change in proven and probable mineral reserves would result in changes to amortization expense prospectively from the date of change and a negative change could result in impairment in the value of the capital asset.

The following chart illustrates the impact on 2003 amortization, before and after tax, if there was a 25 per cent change in ore reserves at the start of 2003:

Impact of a 25% Change in Ore Reserves

(millions of Canadian dollars)	Change in 2003 Amortization	After Tax Impact
Çayeli	+/– $ 1.1	+/– $ 0.7
Pyhäsalmi	+/– $ 1.3	+/– $ 0.9
Troilus	+/– $ 0.9	+/– $ 0.9
Ok Tedi (1)	+/– $ 0.7	+/– $ 0.4

(1) Represents a six month period.

Another method of amortization the Company could also follow would be to amortize the cost of the property on a straight-line basis over the life of the mine. The Company believes depleting the value of the property simultaneously with the depletion of the mineral reserves (unit-of-production method) more fairly represents the value of the remaining asset.

(b) Capitalized Stripping

Mining costs associated with waste rock removal at Troilus are capitalized as capital assets. Amortization, which is calculated using the unit-of-production method based on estimated proven and probable gold reserves, is charged to cost of sales as ore is mined and sold, using a strip ratio calculated as the ratio of total tonnes mined to total ore to be mined over the life of the mine.

Consistent to the amortization of property, any change in proven and probable reserves would result in changes to the amortization expense of capitalized stripping prospectively from the date of change and could result in impairment in the value of the capital asset.

If at the start of 2003, mineral reserves at Troilus had reduced by 25 per cent, the impact on 2003 cost of sales at Troilus would have been a $3 million expense, which results from a shorter amortization period to amortize the stripping already capitalized.

An alternative to capitalizing excess stripping costs is to expense the costs of stripping as a period expense. The Company believes that capitalizing stripping costs, which allocates waste costs evenly over the life of the mine, more accurately matches the cost of production with the sale of such production.

(c) Impairment of Long-lived Assets

Judgements made on the recoverability of the Company's operating properties are critical as it could have significant impacts on the balance sheet and statement of operations.

Recoverability is reviewed and evaluated periodically through the year based on estimated future undiscounted net cash flows from each property. Estimated cash flows are based on further estimates, including recoverability of reserves, future metal prices, and future operating, capital and reclamation costs.

Based on long term prices of U.S.$0.90 per pound of copper, U.S.$0.48 per pound of zinc and U.S.$325 per ounce of gold and ore reserves as at December 31, 2003 there is no impairment in value. As well, if there were a 25 per cent decrease in life-of-mine cash flows, it is not expected that there would be an impairment in the value of any of the Company's operating properties.

VALUATION ALLOWANCE ON FUTURE INCOME TAX ASSET

The Company has significant Canadian tax benefits from capital losses, capital cost allowance pools and mining resource pools amounting to $153 million (tax effected). The Company evaluates the likelihood of realizing these benefits using a more than 50 per cent likelihood criterion that there will be future taxable income in Canada to utilize these losses. The likely future taxable income is recorded as a future income tax asset and the difference between the tax effected pools and the estimated future income tax asset is considered the valuation allowance. Canadian future taxable income includes items such as earnings from Troilus and interest income offset by interest expense, general and administration costs and reclamation costs. As at December 31, 2003 it is more likely than not that there will be approximately $8 million of future taxes payable in Canada.

Future taxable income in Canada is an estimate and can be affected by such items as metal prices, costs, interest rates and foreign currency exchange rates, amongst other items.

RECLAMATION COSTS

The Company's closed mines, operations and investments are subject to environmental laws and regulations in Canada and in other countries, primarily the United States, Turkey, Papua New Guinea and Finland. The potential for changes in laws and regulations creates significant uncertainty with regard to the actual environmental and reclamation costs that the Company could incur in the future. Environmental and regulatory review has become a long, complex and uncertain process which can prolong decommissioning activities at closed mines. Regulatory developments or changes in the assessment of conditions at closed mine sites can cause substantial variances, positive or negative, from prior estimates of reclamation liabilities. Any changes in estimates would be recognized immediately through income for closed mines and prospectively for operating mines.

At December 31, 2003 the liability recognized on the balance sheet for future reclamation costs amounts to $65 million, of which $29 million relates to closed mines and $36 million relates to operating mines. The liability is subject to significant judgements and assumptions, including the discount rate which is used to fair value the liability and the costs and the time it will take to rehabilitate the property. The discount rate represents the credit adjusted risk-free rate and ranges from three to seven per cent, depending on the number of years to rehabilitate, which range from five to 20 years. A 10 per cent change in estimated future costs would result in an earnings impact of approximately $3 million, all of which relates to closed mines.

Changes in Accounting Standards

In March 2003, the Canadian Institute of Chartered Accountants ("CICA") issued a Recommendation under CICA handbook section 3110 *Asset Retirement Obligations* relating to the recognition of a liability for any statutory, contractual or other legal obligation. This standard is applicable for the Company's accounting for its reclamation liabilities and the Company chose to adopt the new standard effective January 1, 2003. Prior year financial statements were retroactively restated. Refer to Note 6 of the Notes to Consolidated Financial Statements for further information.

In January 2004, the CICA issued an amendment to CICA handbook section 3860 *Financial Instruments – Disclosure and Presentation* relating to the balance sheet presentation of financial instruments as liabilities or equity. The amendments would require the Company to account for its convertible debentures (financial instruments that may be settled in cash or by an issuer's own equity instruments, at the issuer's discretion) as a liability. The amended standard would be effective for the Company's year beginning January 1, 2005. If the standard had been adopted in 2003, the equity component of the convertible debentures ($45.3 million) would have been reclassified to long-term debt and the accretion charge of $4.1 million would have been eliminated and instead included as interest expense in the statement of income. The earnings per share figure would not be impacted.

In June 2003, the CICA issued Accounting Guideline 13 *Hedging Relationships* relating to the circumstances in which hedge accounting is appropriate, including the identification, documentation, designation and effectiveness of hedges, and the discontinuance of hedge accounting. The Guideline is applicable for the Company commencing January 1, 2004, however, it is not expected there will be any changes to the current form of the Company's hedge accounting. The Company does not enter into speculative contracts, but it is possible the Company may not fully meet the CICA definition of effective hedging and therefore could be required to include in income any marked-to-market adjustments for that portion of the hedges.

Canadian GAAP allows alternate treatment of mineral rights with respect to balance sheet classification. CICA handbook section 1581 *Business Combinations* defines such assets as intangible assets, while CICA handbook section 3061 defines acquired mineral rights as property, plant and equipment. In the United States, the Securities and Exchange Commission has interpreted Financial Accounting Standards Board ("FASB") section 141 *Business Combinations*, which is consistent with CICA Section 1581, in such a way that under United States GAAP mineral rights are classified as intangible assets. The issue is a controversial one in the United States and has been referred to the Emerging Issues Task Force ("EITF") in the United States for its consideration. There can be no certainty as to the conclusions the EITF will reach, or as to whether Canadian GAAP will continue to allow alternate treatments. Historically the Company has classified such assets, less the related accumulated amortization, as capital assets on its consolidated balance sheet. The Company continues to believe this is the appropriate classification under Canadian GAAP.

Off Balance Sheet Arrangements

GOLD HEDGE CONTRACTS

The Company has identified fluctuations in gold prices as a material business risk. At Troilus, operating costs are above the mean for the industry. At Ok Tedi, gold is a significant by-product for the operation but not considered its principal product. As such, to ensure a minimum level of cash flow to the operations, the Company has entered into certain gold forward sales and put and call option contracts. These contracts provide for a certain level of liquidity and profitability for a given percentage of production.

All hedge contracts are with highly-rated banks, which typically deal in financial derivatives as part of their business and are subject to detailed International Swaps and Derivatives Association ("ISDA") agreements. Under normal circumstances, the Company is not subject to margin calls, regardless of the spot gold price, as each counterparty, through participation in a credit agreement, has an interest in certain security, granted to it by the Company. In addition, the Company adheres to a hedging policy, which limits the amount of production which can be hedged to 50 per cent of its recoverable reserves, and restricts the amount of hedging contracts that can be transacted with any one counterparty.

The Company has transacted using two different hedge instruments: forward sales and put and call options. A forward sales contract fixes a defined quantity of gold which is to be delivered on a specified future date for which a specified gold price is agreed. The primary risk associated with this arrangement is that if the Company cannot produce the quantity contracted, it would be required to buy the deficit amount in the market place. The objective of the forward sales contract is to ensure a certain price for gold to provide positive cash flows. The risk of over-hedging is dealt with by limiting the volume of gold that can be hedged to 50 per cent of recoverable reserves, providing a buffer for negative swings in production.

The purchase of a put option sets the floor price for a defined quantity of gold which may be delivered on a specific future date. The Company does not have an obligation to deliver, but if the spot price of gold falls below the put strike price, or the price level at which the put option may be exercised, the Company would exercise its right to deliver the gold. If the spot price is greater than the option price on expiry, then the Company will not exercise the option but shall instead sell the commodity at the spot price. A call option on the other hand, when sold, sets a ceiling price for a defined quantity of gold which may be delivered on a specific future date. The buyer of the option determines whether the call option is exercised or not. If the spot price is greater than the option price on expiry, then the Company would expect the purchaser to exercise the option and require the sale of the commodity at the agreed strike price. If the spot price is less than the option strike price on expiry, the Company would not expect the option to be exercised.

The contracts outstanding have been reported earlier in this document on page 41 and at December 31, 2003 there was a negative marked-to-market of $42 million on these contracts. The marked-to-market is basically the difference between the spot and future price of gold on a specific date and the contract price and represents what the Company would have to pay if the contracts were terminated as of that date.

CURRENCY HEDGE CONTRACTS

As the Company's revenues are substantially in United States dollars and its costs are in a variety of other currencies, the Company has exposure to currency fluctuations. In particular, revenues from the Troilus operation are in United States dollars while the operation incurs costs in Canadian dollars. To ensure a certain portion of revenue in Canadian dollars, and in conjunction with the gold hedges mentioned above, the Company has entered into option agreements whereby put options for the United States dollar have been purchased over the next two years covering U.S.$28.5 million, at a strike price to the Canadian dollar of $1.5033. If the spot exchange rate on an option expiry date is below $1.5033, then the Company exercises the put, receiving the difference between the option price and the spot price. In order to pay for these put options, the Company simultaneously entered into a sale of call options, which allow the call option holder to buy U.S.$28.5 million for Canadian dollars at an exchange rate of $1.5933. The holder of the call option would only exercise the call option if the exchange rate, on the option expiry date, was greater than $1.5933. This put and call option scenario ensures a floor price exchange rate of $1.5033 for U.S.$28.5 million of revenue, over the next two years with an exchange rate cap of $1.5933 for the same period and amount.

As in the case with the gold hedge contracts, all contracts are with highly-rated banks who typically deal with financial derivatives as part of their business. Under normal circumstances, the Company is not subject to margin calls, regardless of the spot exchange rate. In addition, the Company adheres to a separate hedging policy on currencies, which only allows transactions with certain credit rated counterparties and restricts the amount of hedging contracts to a percentage of forecasted exposure. There was a positive marked-to-market exposure as at December 31, 2003 of $6 million. The risk of over-hedging is dealt with by limiting the volume of United States dollars that can be hedged.

FINANCIAL ASSURANCE

The Company is required to maintain financial assurance instruments with respect to both its performance and financial obligations relating to environmental and other matters. The financial assurance, in the form of letters of credit, amounted to approximately $15 million as at December 31, 2003. In March 2002, the Company obtained a U.S.$10 million secured letter of credit facility, which covers the majority of such financial assurance requirements.

Regulatory authorities in jurisdictions where the Company had or has operations may require posting of financial security to secure in whole or in part future reclamation and restoration obligations. In some instances, the Company has already provided this security. In other instances, such security may be required to be posted or enhanced as regulatory requirements evolve, if the regulatory authority ceases to accept alternative forms of comfort to secure the obligations or as an operation nears the end of its life. Although the posting of security does not increase the future reclamation and restoration obligations (other than costs associated with posting such security), a portion of the Company's credit or cash reserves will be required to provide such security, which could affect the Company's liquidity.

INSURANCE

The Company holds insurance to protect itself against various risks. The Company regularly evaluates the risks compared to the relevant insurance cost, to ensure that insurance remains the appropriate risk mitigation vehicle. This evaluation is especially critical in the current environment, where the cost of protection against risks has increased substantially over the last few years. If insurance costs continue to rise, there may be instances where self-insurance becomes the more appropriate form of risk mitigation for the Company.

Non-GAAP Measures

3 YEAR PRODUCTION AND UNIT COST SUMMARY

	2003	2002	2001
PRODUCTION (INMET'S SHARE)			
Copper (tonnes)			
Ok Tedi	**35,200**	38,000	36,700
Çayeli (1)	**18,400**	17,300	16,200
Pyhäsalmi (2)	**14,900**	11,200	–
Troilus	**5,800**	6,800	7,800
	74,300	73,300	60,700
Zinc (tonnes)			
Çayeli (1)	**18,500**	17,600	12,400
Pyhäsalmi (2)	**38,800**	26,300	–
	57,300	43,900	12,400
Gold (ounces)			
Troilus	**164,100**	164,900	162,600
Ok Tedi	**90,600**	92,700	81,800
	254,700	257,600	244,400
UNIT COSTS			
Weighted average copper (U.S.$ per pound)			
Cash cost	**$ 0.39**	$ 0.41	$ 0.52
Total cost	**$ 0.52**	$ 0.54	$ 0.66
Çayeli (U.S.$ per pound of copper)			
Direct cash costs	**$ 0.44**	$ 0.37	$ 0.32
Copper processing charges and freight	**0.22**	0.24	0.27
Net metal credits	**(0.19)**	(0.18)	(0.12)
Cash cost	**0.47**	0.43	0.47
Amortization and other non cash costs	**0.05**	0.05	0.04
Total cost	**$ 0.52**	$ 0.48	$ 0.51
Pyhäsalmi (U.S.$ per pound of copper) (2)			
Direct cash costs	**$ 0.96**	$ 0.79	$ –
Copper processing charges and freight	**0.21**	0.22	–
Net metal credits	**(0.99)**	(0.73)	–
Cash cost	**0.18**	0.28	–
Amortization and other non cash costs	**0.25**	0.19	–
Total cost	**$ 0.43**	$ 0.47	$ –
Troilus (U.S.$ per ounce of gold)			
Direct cash costs	**$ 310**	$ 287	$ 256
Capitalization of stripping costs	**(18)**	(11)	–
Processing charges and freight	**42**	45	52
Metal credits	**(75)**	(74)	(76)
Cash cost	**259**	247	232
Amortization and other non cash costs	**13**	20	20
Total cost	**$ 272**	$ 267	$ 252
Ok Tedi (U.S.$ per pound of copper)			
Direct cash costs	**$ 0.65**	$ 0.59	$ 0.60
Processing charges and freight	**0.21**	0.20	0.22
Metal credits	**(0.42)**	(0.35)	(0.28)
Cash cost	**0.44**	0.44	0.54
Amortization and other non cash costs	**0.11**	0.15	0.18
Total cost	**$ 0.55**	$ 0.59	$ 0.72

(1) For the period up to and including March 31, 2002, Inmet's share represents 49 per cent. From April 1, 2002 forward, Inmet's share represents 55 per cent.

(2) The production and unit costs for Pyhäsalmi represent the operation's results from April 1, 2002.

RECONCILIATION OF UNIT CASH COSTS TO INCOME STATEMENT

The Company uses unit cash cost information as a key performance indicator to analyze fluctuations between years, fluctuations to budget and cash flows. There are no standardized measures presented by other issuers, nonetheless unit cash costs tend to be a benchmark to compare performance to other mining companies. The reconciliation is intended to provide additional information and is not considered in accordance with GAAP. Copper cash costs include Inmet's share of the results from Çayeli, Pyhäsalmi and Ok Tedi, and gold cash costs include the results from Troilus. The reconciliation includes only 2003 results, but unit cash costs calculations from previous years were prepared under the same basis of presentation.

(millions of Canadian dollars, except where otherwise noted)	2003 Copper Cash Cost	2003 Gold Cash Cost
Operating costs per financial statements	$ 132	$ 68
Net sales per financial statements	(220)	(82)
Add back – copper sales not included in cash costs	171	–
Add back – gold sales not included in cash costs	–	73
January to June costs at Ok Tedi, not included in consolidation	23	–
Çayeli minority interest	(22)	–
Other	(1)	1
Operating costs net of metal credits	$ 83	$ 60
U.S.$ to C$ exchange rate	$ 1.40	$ 1.40
Inmet's share of copper production (tonnes)	68,500	–
Inmet's share of copper production (pounds)	151,100	–
Troilus gold production (ounces)	–	164,100
Consolidated copper cash cost (per pound)	**U.S.$0.39**	**–**
Gold cash cost (per ounce)	**–**	**U.S.$259**

Five Year Information

Year ended December 31	**2003**	2002	2001	2000	1999
Statements of operations (000's)					
Sales	**$ 302,147**	$ 211,973	$ 106,759	$ 103,940	$ 107,829
Cost of sales	**(222,589)**	(167,468)	(91,061)	(82,432)	(89,166)
Corporate development and exploration	**(4,057)**	(4,926)	(4,904)	(9,635)	(6,467)
General and administration	**(5,294)**	(5,233)	(4,485)	(6,919)	(6,215)
Stock based compensation	**(2,522)**	(5,258)	(538)	–	–
Investment and other income	**148,914**	3,929	5,316	10,018	16,277
Interest expense	**(5,695)**	(7,058)	(3,059)	(3,795)	(4,015)
Capital tax expense	**(1,173)**	(1,027)	(205)	(856)	(812)
Income tax expense	**(21,487)**	(11,508)	(4,514)	(5,035)	(899)
Non controlling interest	**(8,747)**	(6,094)	–	–	–
Net income	**$ 179,497**	$ 7,330	$ 3,309	$ 5,286	$ 16,532
Cash flow (000's)					
Cash and short-term investments, beginning of year	**$ 76,532**	$ 63,871	$ 77,259	$ 93,458	$ 173,135
Cash provided by (used in):					
Operating activities	**83,407**	73,702	6,388	14,509	3,061
Investing activities	**115,650**	(96,387)	(12,454)	(18,428)	76,002
Financing activities	**(50,734)**	34,750	(8,055)	(12,280)	(158,740)
Other	**5,396**	596	733	–	–
Cash and short-term investments, end of year	**$ 230,251**	$ 76,532	$ 63,871	$ 77,259	$ 93,458
Common share statistics					
Net income per share	**$ 4.46**	$ 0.09	$ –	$ 0.06	$ 0.30
Diluted net income per share	**$ 4.01**	$ 0.09	$ –	$ 0.06	$ 0.30
Net book value per share at December 31	**$ 10.51**	$ 6.16	$ 5.81	$ 5.56	$ 5.24
Operating cash flow per share	**$ 2.12**	$ 1.92	$ 0.18	$ 0.38	$ 0.08
Number of shares outstanding (000's) (1)	**39,348**	39,283	35,276	36,402	38,337
Balance sheets (000's) (1)					
Current assets	**$ 343,964**	$ 156,425	$ 130,757	$ 127,265	$ 150,567
Capital assets	**258,753**	225,583	90,955	88,174	75,332
Investments	**1,714**	66,890	72,845	80,812	81,381
Other assets	**40,858**	32,563	17,575	20,562	18,535
	$ 645,289	$ 481,461	$ 312,132	$ 316,813	$ 325,815
Current liabilities	**$ 73,812**	$ 65,105	$ 33,908	$ 35,546	$ 41,023
Long-term debt	**24,115**	67,711	16,981	21,700	26,768
Reclamation and other liabilities	**133,969**	106,810	56,438	57,178	57,053
Shareholders' equity	**413,393**	241,835	204,805	202,389	200,971
	$ 645,289	$ 481,461	$ 312,132	$ 316,813	$ 325,815
Currency exchange rates (1)					
United States dollar relative to Canadian dollar	**$ 1.30**	$ 1.58	$ 1.59	$ 1.50	$ 1.44
Euro relative to Canadian dollar	**$ 1.63**	$ 1.66	$ 1.41	–	–

(1) As at December 31.

Dated: February 5, 2004

Financial Statements

Significant Accounting Policies

Basis of Presentation and Consolidation

The consolidated financial statements of Inmet Mining Corporation (the "Corporation") are expressed in thousands of Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles, which have been applied consistently between years with the exception of inventories and reclamation liabilities, the changes for which are described in significant accounting policies.

The consolidated financial statements include the accounts of the Corporation, its subsidiaries, including Çayeli Bakir Isletmeleri A.Ş. ("Çayeli") and Pyhäsalmi Mine Oy ("Pyhäsalmi"), and the Corporation's proportionate interest in Ok Tedi Mining Limited ("Ok Tedi"). As of July 1, 2003, the Corporation changed its accounting for its investment in Ok Tedi from cost accounting to proportionate consolidation. In addition, Çayeli was proportionately consolidated prior to April 1, 2002.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Basis of Segmented Disclosure

The Corporation's operations are managed independently of each other primarily because of their geographical diversity. Each operation retains its own management team and is responsible for compiling its own financial information. The segmented financial statements reflect this structure.

The Corporation's interests in operating properties include Çayeli, Pyhäsalmi, Troilus and Ok Tedi. Çayeli is a 55 per cent owned copper and zinc mine (49 per cent prior to April 1, 2002) located in Turkey. Pyhäsalmi is a wholly-owned copper and zinc mine located in Finland. Troilus is a wholly-owned gold mine located in Quebec, Canada. Ok Tedi is an 18 per cent owned investment located in Papua New Guinea which owns a copper and gold mine.

Cash and Short-term Investments

Cash and short-term investments consist of balances with banks and investments in money market instruments. These investments are carried at cost, which approximates market value. Cash and cash equivalents consist of investments with maturities of 90 days or less at the date of purchase. Short-term investments consist of investments with maturities between 91 days and one year at the date of purchase.

Investments

As of July 1, 2003, the Corporation changed its accounting for its investment in Ok Tedi from cost accounting to proportionate consolidation. Prior to July 1, 2003, the Corporation accounted for its investment in Ok Tedi using the cost method. Under the cost method, earnings were recognized only when dividends were received from Ok Tedi's earnings which were accumulated after April 1, 2000, the date the Corporation started cost accounting for its investment in Ok Tedi. When the dividends received subsequent to April 1, 2000 exceeded the Corporation's share of Ok Tedi's accumulated earnings during that same period, the dividend was recorded as a reduction in the carrying value of the investment.

Inventories

Inventories of stockpiled ore and inventories of concentrates and gold doré, which are ready for sale, but for which title has not yet been transferred to the purchaser, are valued at the lower of cost and net realizable value. Effective January 1, 2003, the Corporation changed its accounting policy for inventory valuation. Prior to the change, inventory value included costs directly related to bringing the inventory to its current condition and location, such as mining, milling, and transport costs. Amortization was treated as a period cost. In 2003, the Corporation revised its inventory valuation methodology to include related amortization. The effect of the change in accounting policy was determined to be immaterial for prior periods.

Materials and supplies are valued at the lower of average cost and replacement cost. Inventories of stockpiled ore which are not expected to be processed in the next year are classified as other assets.

Capital Assets

Exploration costs are charged to earnings in the year in which they are incurred. When it is determined that development of a property is reasonably foreseeable, further development and exploration expenditures, including interest and financing costs on funds borrowed, are capitalized. When production commences, these costs, together with property acquisition costs, are reclassified to property and amortized on the unit-of-production method based on proven and probable mineral reserves.

Property, which consists primarily of mineral reserves, is recorded at cost and amortized on the unit-of-production method. Plant and equipment are recorded at cost and amortized based on the straight-line method over their estimated useful lives, which range from five to fourteen years.

Mining costs associated with waste rock removal at Troilus, an open-pit mine, are capitalized under capital assets and referred to as "capitalized stripping". Amortization, which is calculated using the unit-of-production method based on estimated proven and probable gold reserves, is charged to operating costs as ore is mined and sold, using a stripping ratio calculated as the ratio of total tonnes to be removed to total ore to be mined over the life of the mine. This method results in the recognition of the cost of these mining activities evenly over the mine life as gold is produced and sold. The application of the accounting for capitalized stripping and resulting differences in timing between costs capitalized and amortization generally results in an asset on the balance sheet, although it is possible that a liability could arise if amortization exceeds costs capitalized for an extended period of time. Capitalized stripping is included in the carrying amount of the Corporation's mining properties for the purpose of assessing whether any impairment has occurred.

The Corporation reviews and evaluates the recoverability of capital assets periodically based on estimated future undiscounted net cash flows from each property. Net cash flows include estimates on mineral reserves, future metal prices, and future operating, capital and reclamation costs. If estimated future net cash flows are less than the carrying value of the property then the property is written down to net realizable value. In addition, the Corporation considers other factors, including the ability to obtain sufficient financing for the project or the ability to recover its costs through a disposition of the property. Estimates of future cash flows are subject to risks and uncertainties. It is possible that changes could occur which may affect the recoverability of capital assets.

Reclamation Costs

The Corporation has retroactively adopted the new Recommendations of the Canadian Institute of Chartered Accountants for the accounting for asset retirement obligations. The Recommendations require that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred. Also, when a liability is initially recorded, a corresponding increase to the carrying amount of the related asset (where one is identifiable) is recorded.

On an annual basis, the liability is increased by the interest factor that was applied in the initial measurement of fair value and the asset is amortized over the estimated life of the related asset. The amount of the liability will be subject to re-measurement at each reporting period. Any adjustment to this liability will impact the related asset. In the case of closed properties, the change in fair value over the course of the year is taken to income. This differs from the prior practice, which involved accruing for the estimated reclamation liability through annual charges to earnings over the estimated life of the mine.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Corporation of future site restoration could differ from the amounts provided. The estimate of the total liability of future site restoration costs is subject to change due to amendments to applicable laws and regulations and as new information concerning the Corporation's operations becomes available. The Corporation is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form and substance that these laws and regulations may take.

Employee Future Benefits

The Corporation and certain subsidiaries and investments provide retirement benefits for employees under a number of defined benefit and defined contribution plans.

Actuarial valuations of the obligations for employee future benefits are made periodically for accounting purposes by an independent actuary. The defined benefit plans' pension costs are actuarially determined each year using the accrued benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, and other factors such as the expected number of employee terminations, the retirement ages of plan members, and life expectancy.

The annual expense under the defined benefit plans includes:

- the cost of benefits provided in exchange for employees' services rendered during the year;
- gains or losses on plan settlements or curtailments (recognized in income in the period incurred);
- interest on projected benefit obligations;
- the expected return on plan assets;
- amortization of the transitional asset on a straight-line basis; and
- amortization of experience gains and losses that exceed 10 per cent of the greater of the accrued benefit obligation or the fair value of plan assets, on a straight-line basis over the average life expectancy of all the members.

The discount rate used to value the accrued benefit obligation is based on current market long-term bond interest rates that have a similar duration as the pension liabilities. The interest on projected benefit obligations is based on the discount rate used to value the liabilities at the start of the year. Plan assets are valued based on market related values, and the expected rate of return on plan assets is based on long-term market return assumptions. Short-term experience will often deviate from the actuarial assumptions resulting in actuarial gains or losses (experience gains or losses). Any differences arising between the cumulative amounts expensed and the funding contributions are reflected in the balance sheet as either a liability or an asset.

Under the Corporation's defined contribution plans, the cost of benefits are charged to earnings as contributions become due.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year end exchange rates, whereas non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the transaction date. Income and expense items are translated at the exchange rate in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statements of operations.

Self-sustaining foreign operations are accounted for under the current-rate method. Under this method the assets and liabilities of Çayeli, Pyhäsalmi and Ok Tedi are translated into Canadian dollars at rates of exchange in effect at year end. The revenues and expenses of these foreign operations are translated at the average exchange rates prevailing during the year. Foreign currency translation adjustments are deferred and included as a separate component of shareholders' equity. The Corporation has determined that the United States dollar is the functional currency of Çayeli and Ok Tedi, and that the euro is the functional currency of Pyhäsalmi.

Revenue Recognition

Revenue from the sale of copper, zinc and pyrite concentrate is recognized when title passes to the purchaser which generally occurs upon delivery, and in some cases, upon shipment. Revenue from the sale of gold bullion is recognized on transfer of title to the purchaser.

Prices used to recognize revenues are based on market prices prevailing at the time of shipment. Adjustments to accounts receivable between the date of recognition and the settlement date, caused by changes in the market prices for the commodities, are adjusted through revenue at each balance sheet date.

Revenue on gold forward sales contracts is recognized as designated production is delivered to meet the contracted commitment at the average gold price realized over the term of the contract. Realized gains in excess of recognized gains are included in other liabilities as deferred revenue.

Financial Instruments

The Corporation enters into derivative financial instrument contracts to manage certain risks which result from the underlying nature of the business. The Corporation formally documents all relationships between hedging instruments and hedged items as well as, in each case, the risk management objective and strategy for undertaking the hedge transaction. This process includes linking all derivatives to specific firm commitments or forecasted transactions. The Corporation uses forward sales contracts as well as option contracts to hedge exposure to the commodity price risk for gold. It also uses option contracts to hedge exposure to fluctuations in United States dollar denominated anticipated revenues.

Gains and losses on these contracts are reported as revenue in the same periods during which the hedged sale took effect. Gains and losses on early termination of hedging contracts are deferred until the hedged items are recognized in earnings.

Stock Based Compensation

The Corporation accounts for stock options using the fair value method. For option awards, fair value is measured at the grant date using the Black-Scholes valuation model and is recognized as compensation expense and equity over the vesting period of the options granted. Consideration paid by employees on exercise of stock options is recorded as share capital. For options with a cash settlement feature, compensation expense is determined and accrued over the vesting period of the options based on the excess of the quoted market value of the respective shares over the exercise price.

Income Taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method of tax allocation, future income and mining tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Earnings Per Share

Diluted earnings per share is calculated using the treasury stock method. For options, the treasury stock method assumes that any "in the money" option proceeds would be used to purchase common shares of the Corporation at the average market price during the year. For convertible debentures, the treasury stock method adds back to income charges applicable to the convertible debentures (net of tax) and adjusts the weighted average number of common shares for the assumption that the convertible debentures were converted at the conversion price.

Comparative Amounts

Certain comparative amounts have been reclassified to conform to the 2003 presentation.

Auditors' Report

To the Shareholders of Inmet Mining Corporation

We have audited the consolidated balance sheets of Inmet Mining Corporation as at December 31, 2003 and 2002 and the consolidated statements of operations, retained earnings and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and 2002 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Toronto, Canada

February 5, 2004

Consolidated Balance Sheets

As at December 31 (thousands of Canadian dollars)	2003	2002
		Restated (note 6)
ASSETS		
Current assets:		
Cash and short-term investments (note 5)	**$ 230,251**	$ 76,532
Accounts receivable	**68,467**	50,594
Inventories	**45,031**	24,357
Future income tax asset (note 4)	**215**	4,942
	343,964	156,425
Investments (note 1)	**1,714**	66,890
Capital assets (note 3)	**258,753**	225,583
Future income tax asset (note 4)	**7,877**	3,752
Other assets	**32,981**	28,811
	$ 645,289	$ 481,461
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 68,826**	$ 50,106
Current portion of long-term debt (note 5)	**4,986**	14,999
	73,812	65,105
Long-term debt (note 5)	**24,115**	67,711
Reclamation liabilities (note 6)	**64,726**	48,612
Other liabilities (note 7)	**24,517**	23,022
Future income tax liability (note 4)	**18,630**	13,273
Non controlling interest (note 8)	**26,096**	21,903
	231,896	239,626
Commitments and contingencies (note 10)		
SHAREHOLDERS' EQUITY		
Convertible debentures (note 11)	**45,260**	41,171
Share capital (note 12)	**227,682**	227,372
Contributed surplus	**66,999**	66,999
Stock based compensation (note 13)	**6,538**	3,823
Retained earnings (deficit)	**60,471**	(114,937)
Foreign currency translation account (note 14)	**6,443**	17,407
	413,393	241,835
	$ 645,289	$ 481,461

(See accompanying notes)

On behalf of the Board:

Richard A. Ross
DIRECTOR

Paul E. Gagné
DIRECTOR

Segmented Balance Sheets

As at December 31, 2003 (thousands of Canadian dollars)	Corporate	Çayeli (Turkey)	Pyhäsalmi (Finland)	Troilus (Canada)	Ok Tedi (Papua New Guinea) (note 1)	Total
ASSETS						
Cash and short-term investments	$ 177,262	$ 10,835	$ 21,613	$ –	$ 20,541	$ 230,251
Other current assets	1,069	33,239	26,210	25,981	27,214	113,713
Investments	1,714	–	–	–	–	1,714
Capital assets	26,952	49,769	98,954	42,559	40,519	258,753
Other assets	29,746	209	–	3,643	7,260	40,858
	$ 236,743	$ 94,052	$ 146,777	$ 72,183	$ 95,534	$ 645,289
LIABILITIES						
Current liabilities	$ 16,089	$ 13,476	$ 13,423	$ 12,655	$ 18,169	$ 73,812
Long-term debt	24,115	–	–	–	–	24,115
Reclamation liabilities	28,240	3,162	11,802	3,636	17,886	64,726
Other liabilities	12,143	2,520	–	5,740	4,114	24,517
Future income tax liability	–	9,868	4,611	–	4,151	18,630
Non controlling interest	–	26,096	–	–	–	26,096
	$ 80,587	$ 55,122	$ 29,836	$ 22,031	$ 44,320	$ 231,896

As at December 31, 2002 Restated (note 6) (thousands of Canadian dollars)	Corporate	Çayeli (Turkey)	Pyhäsalmi (Finland)	Troilus (Canada)	Ok Tedi (Papua New Guinea) (note 1)	Total
ASSETS						
Cash and short-term investments	$ 44,637	$ 22,971	$ 8,924	$ –	$ –	$ 76,532
Other current assets	11,631	21,627	22,677	23,958	–	79,893
Investments	1,714	–	–	–	65,176	66,890
Capital assets	26,954	56,938	106,989	34,702	–	225,583
Other assets	29,063	577	–	2,923	–	32,563
	$ 113,999	$ 102,113	$ 138,590	$ 61,583	$ 65,176	$ 481,461
LIABILITIES						
Current liabilities	$ 18,056	$ 25,241	$ 10,877	$ 10,931	$ –	$ 65,105
Long-term debt	64,398	3,313	–	–	–	67,711
Reclamation liabilities	30,254	3,596	11,325	3,437	–	48,612
Other liabilities	15,139	1,680	–	6,203	–	23,022
Future income tax liability	–	8,465	4,808	–	–	13,273
Non controlling interest	–	21,903	–	–	–	21,903
	$ 127,847	$ 64,198	$ 27,010	$ 20,571	$ –	$ 239,626

Consolidated Statements of Operations

For the years ended December 31 (thousands of Canadian dollars except per share amounts)	2003	2002
		Restated (note 6)
Sales	**$ 302,147**	$ 211,973
Cost of sales	**(201,865)**	(151,929)
Amortization	**(20,724)**	(15,539)
	79,558	44,505
Corporate development and exploration	**(4,057)**	(4,926)
General and administration	**(5,294)**	(5,233)
Stock based compensation (note 13)	**(2,522)**	(5,258)
Investment and other income (note 15)	**148,914**	3,929
Interest expense (note 16)	**(5,695)**	(7,058)
Capital tax expense	**(1,173)**	(1,027)
Income tax expense (note 4)	**(21,487)**	(11,508)
Non controlling interest (note 8)	**(8,747)**	(6,094)
Net income	**$ 179,497**	$ 7,330
Accretion on equity component of convertible debentures	**$ (4,089)**	$ (3,756)
Basic net income per common share (note 12)	**$ 4.46**	$ 0.09
Diluted net income per common share (note 12)	**$ 4.01**	$ 0.09

(See accompanying notes)

Segmented Statements of Operations

For the year ended December 31, 2003 (thousands of Canadian dollars)	Corporate	Çayeli (Turkey)	Pyhäsalmi (Finland)	Troilus (Canada)	Ok Tedi (Papua New Guinea) (note 1)	Total
Sales	$ –	$ 78,407	$ 71,875	$ 81,949	$ 69,916	$ 302,147
Cost of sales	(2,013)	(45,196)	(44,274)	(68,030)	(42,352)	(201,865)
Amortization	–	(4,127)	(10,513)	(2,940)	(3,144)	(20,724)
	(2,013)	29,084	17,088	10,979	24,420	79,558
Corporate development and exploration	(4,057)	–	–	–	–	(4,057)
General and administration	(5,294)	–	–	–	–	(5,294)
Stock based compensation	(2,522)	–	–	–	–	(2,522)
Investment and other income	147,680	–	1,234	–	–	148,914
Interest expense	(4,930)	(681)	–	(84)	–	(5,695)
Capital tax expense	(1,173)	–	–	–	–	(1,173)
Income tax expense	(818)	(10,050)	(2,956)	–	(7,663)	(21,487)
Non controlling interest	–	(8,747)	–	–	–	(8,747)
Net income	$ 126,873	$ 9,606	$ 15,366	$ 10,895	$ 16,757	$ 179,497

For the year ended December 31, 2002 Restated (note 6) (thousands of Canadian dollars)	Corporate	Çayeli (Turkey)	Pyhäsalmi (Finland)	Troilus (Canada)	Ok Tedi (Papua New Guinea) (note 1)	Total
Sales	$ –	$ 73,602	$ 47,694	$ 90,677	$ –	$ 211,973
Cost of sales	(2,116)	(44,751)	(31,830)	(73,232)	–	(151,929)
Amortization	–	(3,542)	(7,084)	(4,913)	–	(15,539)
	(2,116)	25,309	8,780	12,532	–	44,505
Corporate development and exploration	(4,926)	–	–	–	–	(4,926)
General and administration	(5,233)	–	–	–	–	(5,233)
Stock based compensation	(5,258)	–	–	–	–	(5,258)
Investment and other income	1,613	2,316	–	–	–	3,929
Interest expense	(4,953)	(2,079)	–	(26)	–	(7,058)
Capital tax expense	(1,027)	–	–	–	–	(1,027)
Income tax expense	(493)	(9,831)	(1,184)	–	–	(11,508)
Non controlling interest	–	(6,094)	–	–	–	(6,094)
Net income (loss)	$ (22,393)	$ 9,621	$ 7,596	$ 12,506	$ –	$ 7,330

Consolidated Statements of Cash Flows

For the years ended December 31 (thousands of Canadian dollars)	2003	2002
		Restated (note 6)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income	**$ 179,497**	$ 7,330
Add (deduct) items not affecting cash:		
Amortization	**20,724**	15,539
Stock based compensation	**2,522**	5,258
Gain on sale of assets	**(33,146)**	–
Troilus litigation settlement	**(109,618)**	–
Future income tax	**3,925**	7,495
Non controlling interest	**8,747**	6,094
Other	**8,762**	4,594
Distributions in excess of earnings from Ok Tedi	**15,605**	5,954
Reclamation costs	**(4,127)**	(4,798)
Net change in non-cash working capital	**(9,484)**	26,236
	83,407	73,702
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Acquisitions and dispositions (note 2)	**38,685**	(67,817)
Troilus litigation settlement (note 15)	**109,618**	–
Capital assets	**(31,933)**	(28,570)
Short-term investments	**(37,836)**	24,549
Other	**(720)**	–
	77,814	(71,838)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Long-term debt:		
Borrowing	**–**	47,430
Repayment	**(48,430)**	(9,513)
Financial assurance fund payments	**(1,876)**	–
Deferred financing costs	**–**	(1,696)
Dividend paid to non controlling shareholder	**(1,453)**	(1,494)
Issue of share capital	**83**	23
Other	**942**	–
	(50,734)	34,750
Cash assumed on consolidation of Ok Tedi	**9,454**	–
Foreign exchange gain (loss) on cash held in foreign currency	**(4,058)**	596
Increase in cash and cash equivalents	**115,883**	37,210
Cash and cash equivalents:		
Beginning of year	**61,252**	24,042
End of year	**177,135**	61,252
Short-term investments	**53,116**	15,280
Cash and short-term investments	**$ 230,251**	$ 76,532

(See accompanying notes)

Segmented Statements of Cash Flows

For the year ended December 31, 2003 (thousands of Canadian dollars)	Corporate	Çayeli (Turkey)	Pyhäsalmi (Finland)	Troilus (Canada)	Ok Tedi (Papua New Guinea) (note 1)	Total
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Before net change in non-cash working capital	$ (15,997)	$ 28,829	$ 26,454	$ 18,655	$ 34,950	$ 92,891
Net change in non-cash working capital	1,638	(18,788)	773	(781)	7,674	(9,484)
	(14,359)	10,041	27,227	17,874	42,624	83,407
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES						
Acquisitions and dispositions	38,685	–	–	–	–	38,685
Troilus litigation settlement	109,618	–	–	–	–	109,618
Capital assets and other	(197)	(9,473)	(6,431)	(16,159)	(393)	(32,653)
Short-term investments	(37,836)	–	–	–	–	(37,836)
	110,270	(9,473)	(6,431)	(16,159)	(393)	77,814
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(41,324)	(7,534)	–	–	(1,876)	(50,734)
Cash assumed on consolidation of Ok Tedi	–	–	–	–	9,454	9,454
Foreign exchange gain (loss) on cash held in foreign currency	(12)	(3,449)	213	–	(810)	(4,058)
Intergroup funding (distributions)	40,214	(1,721)	(8,320)	(1,715)	(28,458)	–
Increase in cash and cash equivalents	94,789	(12,136)	12,689	–	20,541	115,883
Cash and cash equivalents:						
Beginning of year	29,357	22,971	8,924	–	–	61,252
End of year	124,146	10,835	21,613	–	20,541	177,135
Short-term investments	53,116	–	–	–	–	53,116
Cash and short-term investments	$ 177,262	$ 10,835	$ 21,613	$ –	$ 20,541	$ 230,251

Segmented Statements of Cash Flows (continued)

For the year ended December 31, 2002 Restated (note 6) (thousands of Canadian dollars)	Corporate	Çayeli (Turkey)	Pyhäsalmi (Finland)	Troilus (Canada)	Ok Tedi (Papua New Guinea) (note 1)	Total
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Before net change in non-cash working capital	$ (18,504)	$ 25,763	$ 16,286	$ 17,967	$ 5,954	$ 47,466
Net change in non-cash working capital	4,180	4,511	3,785	13,760	–	26,236
	(14,324)	30,274	20,071	31,727	5,954	73,702
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES						
Acquisitions and dispositions	(77,242)	–	803	–	–	(76,439)
Cash acquired on acquisition	–	7,876	746	–	–	8,622
Capital assets	(1,077)	(11,290)	(7,928)	(8,275)	–	(28,570)
Short-term investments	24,549	–	–	–	–	24,549
	(53,770)	(3,414)	(6,379)	(8,275)	–	(71,838)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	42,015	(7,265)	–	–	–	34,750
Foreign exchange gain (loss) on cash held in foreign currency	–	(99)	695	–	–	596
Intergroup funding (distributions)	35,737	(868)	(5,463)	(23,452)	(5,954)	–
Increase in cash and cash equivalents	9,658	18,628	8,924	–	–	37,210
Cash and cash equivalents:						
Beginning of year	19,699	4,343	–	–	–	24,042
End of year	29,357	22,971	8,924	–	–	61,252
Short-term investments	15,280	–	–	–	–	15,280
Cash and short-term investments	$ 44,637	$ 22,971	$ 8,924	$ –	$ –	$ 76,532

Consolidated Statements of Retained Earnings (Deficit)

For the years ended December 31 (thousands of Canadian dollars)	**2003**	2002
DEFICIT, BEGINNING OF YEAR		
As previously reported	**$ (106,820)**	$ (110,440)
Prior year's adjustment to reflect change in accounting for asset retirement obligations (note 6)	**(8,117)**	(8,071)
As restated	**(114,937)**	(118,511)
Net income	**179,497**	7,330
Accretion on equity component of convertible debentures (note 11)	**(4,089)**	(3,756)
RETAINED EARNINGS (DEFICIT), END OF YEAR	**$ 60,471**	$ (114,937)

(See accompanying notes)

Notes to Consolidated Financial Statements

1. Investments

At December 31, the carrying value of the Corporation's investments was as follows:

(thousands of Canadian dollars)	2003	2002
Ok Tedi	$ –	$ 65,176
Other	1,714	1,714
	$ 1,714	$ 66,890

As of July 1, 2003, the Corporation changed its method of accounting for its 18 per cent investment in Ok Tedi from cost accounting to proportionate consolidation. This method of accounting reflects the new governance arrangements in place, which give the shareholders joint control over the strategic decisions at Ok Tedi. The balance sheet and results from operations have been consolidated effective July 1, 2003.

The Corporation's book value for Ok Tedi at July 1, 2003 has been allocated as follows:

(thousands of Canadian dollars)	
Cash	$ 9,454
Other current assets	25,924
Capital assets	44,026
Other assets	6,624
Current liabilities	(8,678)
Reclamation liabilities	(18,319)
Other liabilities	(5,308)
Future income tax liability	(4,151)
	$ 49,572

Prior to July 1, 2003, the Corporation cost accounted for its 18 per cent investment in Ok Tedi. Under this method, earnings were only recognized on receipt of dividends paid from Ok Tedi's earnings which had accumulated from April 1, 2000. However, when the dividend exceeded the Corporation's share of post April 1, 2000 earnings from Ok Tedi, the dividend was recorded as a reduction in the carrying value of the Corporation's investment in Ok Tedi. In 2003, prior to July 1, the Corporation received $15.6 million in dividends, all of which were recorded as a reduction in the carrying value of the Corporation's investment in Ok Tedi. In 2002, dividends amounting to $6.0 million were received, which were also recorded as a reduction in Ok Tedi's carrying value.

2. Acquisitions and Dispositions

For the years ended December 31, the following acquisitions and dispositions were made. The proceeds and payments in the following table reflect the amount of cash received and cash paid, respectively.

(thousands of Canadian dollars)	Note	2003	2002
Antamina NPI	2(a)	$ 31,199	$ –
Ovaçik	2(b)	5,561	–
Jaguar	2(c)	1,966	–
Pyhäsalmi	2(d)	(41)	(65,379)
Pyhäsalmi cash acquired	2(d)	–	746
Çayeli	2(e)	–	(11,060)
Çayeli cash acquired	2(e)	–	7,876
		$ 38,685	$ (67,817)

a) In 2003, the Corporation sold its 3.3 per cent net proceeds interest ("NPI") relating to the Antamina mine. The $31.2 million of proceeds was recorded as a gain as the carrying value of the NPI was nil.

b) In 2003, the Corporation received a deferred payment of $5.6 million in relation to the sale of the Ovaçik property in 1999.

c) In 2003, the Corporation sold its interest in the Jaguar deposit for net proceeds of $2.0 million and immediate vesting in the Teutonic Bore exploration joint venture at 65 per cent ownership.

d) In March 2002, the Corporation through a wholly-owned subsidiary acquired 100 per cent of Pyhäsalmi from a subsidiary of Outokumpu Oyj. The acquisition was accounted for using the purchase method. Pyhäsalmi's results from operations were consolidated effective April 1, 2002.

The allocation of the purchase price as at March 2002, based on consideration paid, is summarized as follows:

(thousands of Canadian dollars)	Restated (note 6)
Net assets acquired:	
Cash	$ 746
Other current assets	21,969
Capital assets	89,841
Current liabilities	(9,198)
Reclamation and other liabilities	(11,551)
	$ 91,807
Consideration:	
Cash, including transaction costs	$ 67,426
Promissory note (note 5(c))	12,710
Common shares (note 12 (a))	11,671
	$ 91,807

e) During March 2002, the Corporation completed its purchase of an additional six per cent interest in Çayeli. The purchase increased the Corporation's interest in Çayeli to 55 per cent. The acquisition was accounted for using the purchase method. With the increase of the Corporation's investment to 55 per cent, the results from operations were consolidated effective April 1, 2002. Prior to the acquisition, the Corporation's 49 per cent investment had been accounted for using the proportionate consolidation method.

The allocation of the purchase price as at March 2002, based on consideration paid, is summarized as follows:

(thousands of Canadian dollars)	Restated (note 6)
Net assets acquired:	
Cash	$ 7,876
Other current assets	13,709
Capital assets	34,205
Other assets	314
Current liabilities	(12,820)
Long-term debt	(4,240)
Reclamation and other liabilities	(2,494)
Future income tax liability	(5,840)
Non controlling interest (note 8)	(19,650)
Total consideration	$ 11,060

3. Capital Assets

At December 31, capital assets consisted of the following:

			2003			2002
(thousands of Canadian dollars)	**Cost**	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Property	**$ 82,403**	**$ 10,840**	**$ 71,563**	$ 84,283	$ 4,951	$ 79,332
Plant and equipment	**192,411**	**51,015**	**141,396**	143,597	38,429	105,168
Capitalized stripping	**23,592**	**4,577**	**19,015**	16,738	1,960	14,778
Deferred development and exploration	**26,779**	**–**	**26,779**	26,305	–	26,305
	$ 325,185	**$ 66,432**	**$ 258,753**	$ 270,923	$ 45,340	$ 225,583

In 2003, capital assets include the Corporation's 18 per cent proportionate share of Ok Tedi.

4. Income Taxes

A reconciliation between taxes calculated by applying the statutory tax rate to pre-tax income and income tax expense is as follows:

(thousands of Canadian dollars)	**2003**	2002
Income before income taxes and non controlling interest	**$ 209,731**	$ 24,932
Canadian combined federal and provincial income tax rate	**37.5%**	39%
Expected income taxes	**$ 78,649**	$ 9,723
Tax effect of:		
Non taxable income	**(30,012)**	(186)
Recognition of losses of previous years	**(29,910)**	(2,758)
Foreign taxes at different rates	**1,197**	(145)
Additional deductions for tax	**(793)**	(893)
Non-deductible expenses	**1,618**	3,957
Resource allowance	**264**	(168)
Losses of foreign subsidiaries	**–**	1,225
	21,013	10,755
Large corporation tax and withholding tax	**474**	753
Income tax expense	**$ 21,487**	$ 11,508

In 2003, income tax expense includes current taxes of $17.6 million (2002 – $4.1 million) and future taxes of $3.9 million (2002 – $7.4 million). In 2003, the Corporation paid taxes of $5.2 million (2002 – $8.7 million).

At December 31, 2003, the Corporation had capital loss carry-forwards of approximately $240 million (2002 – $352 million) and no Canadian non-capital loss carry-forwards (2002 – $16 million).

As at December 31, the significant components within the Corporation's future income tax asset were as follows:

(thousands of Canadian dollars)	2003	2002
Capital losses	$ 38,122	$ 68,019
Capital assets	73,832	66,031
Canadian resource deductions	23,724	32,131
Reclamation liabilities	14,355	10,913
Non-capital losses	–	6,225
Other	3,071	2,903
Future income tax asset before valuation allowance	153,104	186,222
Valuation allowance	(145,012)	(177,528)
Future income tax asset	8,092	8,694
Less current portion	215	4,942
	$ 7,877	$ 3,752

The Corporation's future income tax asset before valuation allowance is $153 million, most of which relates to Canadian taxes. The realization of this asset is dependent upon the generation of future taxable income and taxable capital gains. A valuation of $145 million has been provided against this asset.

As at December 31, 2003 the Corporation's future income tax liability was $18.6 million (2002 – $13.3 million), which relates to foreign capital assets.

5. Long-Term Debt

At December 31, debt consisted of the following:

(thousands of Canadian dollars)	Note	2003	2002
Revolving credit facility	5(a)	$ –	$ 45,435
Çayeli project financing	5(b)	2,723	9,939
Promissory note	5(c)	16,470	15,316
Debt component of convertible debentures	11	9,908	12,020
		29,101	82,710
Less current portion:			
Revolving credit facility		–	6,310
Çayeli project financing		2,723	6,626
Debt component of convertible debentures		2,263	2,063
		4,986	14,999
		$ 24,115	$ 67,711

a) In 2002, the Corporation entered into a credit agreement with a syndicate of Canadian and international banks to finance in part the acquisition of Pyhäsalmi (note 2(d)). The balance of U.S.$28.8 million ($45.4 million) as at December 31, 2002 was fully repaid in 2003.

The revolving credit facility is secured by a pledge of shares in certain subsidiaries, guarantees from certain wholly-owned subsidiaries and an assignment of certain receivables from the sale of copper concentrates produced at Troilus. The facility agreement also contains financial covenants that require compliance with ratios for debt service coverage and the level of current assets to current liabilities, as well as a minimum net worth threshold and a requirement to maintain minimum cash of U.S.$15 million.

The credit facility agreement provides for customary covenants and events of default including a change of control of the Corporation. However, there are no restrictions on the Corporation paying dividends or making other distributions to shareholders provided there is no default then existing.

b) At December 31, 2003, Çayeli's United States dollar denominated project financing was U.S.$2.1 million ($2.7 million) and as at December 31, 2002 was U.S.$6.3 million ($9.9 million). The facility bears interest at the London Interbank Offered Rate plus 2.25 per cent per annum and has a term to June 2004.

The loan is secured by a first ranking mortgage over substantially all of the assets of Çayeli and a pledge of the shares in Çayeli from its shareholders. The Corporation has severally guaranteed 55 per cent of the total amount outstanding.

c) As part of the consideration for the purchase of Pyhäsalmi, the Corporation issued a €14 million 10-year six per cent unsecured promissory note to Outokumpu Oyj. The promissory note was recorded at the fair value of €9 million ($12.7 million) at the date of issue. In October 2003, the Corporation and Outokumpu Oyj agreed to extend the maturity date of the promissory note to October 2013. A payment of $0.9 million, received upon execution of the amending agreement, will be recognized in income over the term of the loan. No principal repayments are required until maturity on October 3, 2013.

6. Reclamation Liabilities

Effective January 1, 2003, the Corporation retroactively adopted the new accounting standard of the Canadian Institute of Chartered Accountants in respect of asset retirement obligations. As a result, effective January 1, 2003, reclamation liabilities increased by $13.6 million, capital assets increased by $6.4 million, future income tax liability increased by $0.8 million, non-controlling interest decreased by $0.2 million, the foreign currency translation account increased by $0.3 million, and an $8.1 million charge was recorded in retained earnings.

The reclamation balances as at December 31 are summarized in the following table:

(thousands of Canadian dollars)	**2003**	2002
Present value of future water treatment costs	**$ 17,000**	$ 17,000
Obligations at closed properties	**15,240**	17,254
Obligations at operating mines	**36,486**	18,358
	68,726	52,612
Less current portion, included in accounts payable	**4,000**	4,000
	$ 64,726	$ 48,612

The total undiscounted amount of estimated cash flows required to settle the Corporation's reclamation liabilities is $100 million, which is payable over approximately the next 20 years. The interest rates at which the cash flows have been discounted range from three per cent to seven per cent depending on a number of factors, including the duration of the obligation and the jurisdiction where the obligation is owed.

The change in reclamation liabilities for the years ended December 31 is as follows:

(thousands of Canadian dollars)	**2003**	2002
Balance, beginning of year	**$ 52,612**	$ 41,718
Proportionate consolidation of Ok Tedi (note 1)	**18,319**	–
Acquisition of Pyhäsalmi	**–**	9,668
Acquisition of Çayeli	**–**	1,762
Liabilities settled	**(4,127)**	(4,798)
Accretion expense charged through cost of sales	**3,538**	3,081
Foreign exchange	**(1,616)**	1,181
Balance, end of year	**$ 68,726**	$ 52,612

7. Other Liabilities

At December 31, other liabilities consisted of the following:

(thousands of Canadian dollars)	Note	**2003**	2002
Government loan	7(a)	**$ 4,700**	$ 4,700
Long-term compensation obligations	7(b)	**8,565**	6,460
Pension liabilities	9	**6,687**	6,848
Deferred share units obligation	13	**–**	2,835
Deferred revenue		**982**	791
Other		**3,583**	1,388
		$ 24,517	$ 23,022

a) During the construction of Troilus, a $4.7 million government loan was received. The loan amount is repayable based on a percentage of net profits related to production from Troilus' J-4 pit. Repayment is expected to commence in 2005.

b) The Corporation accrues for long-term compensation obligations in accordance with existing social legislation. These obligations include payments to be made to employees whose employment is terminated and payments to be made for long service leave available to employees who have met certain working tenure criteria. The Corporation has also provided for obligations with respect to a supplementary executive retirement plan for a past executive officer.

8. Non Controlling Interest

Non controlling interest represents the 45 per cent interest in Çayeli of its non controlling shareholder. The change in the non controlling interest account for the years ended December 31 is as follows:

(thousands of Canadian dollars)	**2003**	2002
Balance, beginning of year	**$ 21,903**	$ –
45% non controlling interest on acquisition date (note 2(e))	**–**	19,650
Earnings at Çayeli attributable to non controlling shareholder	**8,747**	6,094
Dividend paid to non controlling shareholder	**–**	(1,494)
Dividend declared to non controlling shareholder	**–**	(2,359)
Foreign exchange	**(4,554)**	12
Balance, end of year	**$ 26,096**	$ 21,903

9. Pension Plans

The Corporation maintains a pension plan in Canada, a subsidiary maintains a defined benefit plan in the United States and Ok Tedi maintains a superannuated retirement plan in Papua New Guinea.

a) Defined Contribution Plans

The Corporation's Canadian pension plan has a defined contribution portion. The pension expense for the defined contribution portion of the Canadian pension plan consists solely of the current service cost of $1.2 million (2002 – $1.2 million). In 2003, $0.7 million of the current service cost of the defined contribution portion was funded from a surplus in the pension plan, with the balance funded directly by the Corporation. Ok Tedi is required to make contributions to its superannuated retirement plan. The Corporation's share of Ok Tedi's pension expense in 2003 amounted to $0.2 million.

b) Defined Benefit Plans

The Corporation's Canadian pension plan has a defined benefit portion and a subsidiary has a defined benefit plan in the United States. Plan assets and accrued benefit obligations are measured as at October 31 for the Canadian pension plan and December 31 for the United States pension plan. An actuarial valuation is performed at least triennially with intervening annual reassessments for all defined benefit plans to determine the present value of the accrued pension benefits. The most recent actuarial valuation was performed as at January 1, 2003 for both of the Canadian and United States pension plans. Pension payments made to retirees in the defined benefit plans are computed based on various factors, including years of service and highest average remuneration in a specified period or a stated amount for each year of service as specified in the plan agreements.

The following weighted-average significant actuarial assumptions were used to determine the accrued benefit obligation and periodic pension expense:

	2003	2002
Expected long-term rate of return on plan assets	**7.25%**	7.25%
Discount rate to determine net benefit cost	**6.5%**	6.5%
Discount rate to determine the accrued benefit obligation	**6%**	6.5%
Rate of compensation increase	**3.5%**	4.0%
Amortization years for experience gains and losses:		
Canadian plan	**18**	6
United States plan	**33**	34

The amortization period for experience gains and losses in 2003 for the Canadian plan is based on the average life expectancy of members. In 2002, amortization was based on expected average service life of all members. The change was made to better reflect the demographics of the Canadian defined benefit plan. The United States plan amortizes based on average life expectancy of all the members.

The components of pension expense for the defined benefit plan for 2003 and 2002 are as follows:

	Canadian Plan		United States Plan	
(thousands of Canadian dollars)	**2003**	2002	**2003**	2002
Current service cost	**$ 167**	$ 227	**$ –**	$ –
Interest cost on projected benefit obligations	**1,014**	1,016	**1,448**	1,676
Expected return on pension fund assets	**(1,153)**	(1,381)	**(1,226)**	(1,640)
Net amortization, deferrals and other	**(1)**	104	**(222)**	(36)
Net pension expense (income)	**$ 27**	$ (34)	**$ –**	$ –

At December 31, information on the Corporation's defined benefit pension plans was as follows:

	Canadian Plan		United States Plan	
(thousands of Canadian dollars)	**2003**	2002	**2003**	2002
Plan assets				
Market value of plan assets, beginning of year	**$ 17,736**	$ 20,957	**$ 19,170**	$ 21,658
Actual gain (loss) on plan assets	**1,936**	(694)	**2,206**	(677)
Surplus applied to defined contribution plan	**(733)**	(1,239)	**–**	–
Benefits paid	**(1,645)**	(1,363)	**(1,422)**	(1,624)
Foreign exchange and other	**(75)**	75	**(3,328)**	(187)
Market value of plan assets, end of year	**17,219**	17,736	**16,626**	19,170
Accrued benefit obligation				
Accrued benefit obligation, beginning of year	**16,878**	17,381	**25,375**	23,302
Current service cost	**167**	227	**–**	–
Interest cost	**1,014**	1,016	**1,448**	1,675
Actuarial loss (gain)	**(192)**	(383)	**1,695**	2,234
Benefits paid	**(1,645)**	(1,363)	**(1,422)**	(1,624)
Foreign exchange	**–**	–	**(4,649)**	(212)
Accrued benefit obligation, end of year	**16,222**	16,878	**22,447**	25,375
Plan assets in excess of (less than) accrued benefit obligations	**997**	858	**(5,821)**	(6,205)
Unamortized transitional asset	**(847)**	(1,059)	**(6)**	(36)
Unamortized net actuarial loss	**4,181**	5,367	**–**	–
Other	**–**	–	**(860)**	(607)
Pension asset (liability)	**$ 4,331**	$ 5,166	**$ (6,687)**	$ (6,848)

The pension asset is included in other assets and the pension liability is included in other liabilities in the Corporation's balance sheet.

The Corporation did not make any payments to the Canadian defined benefit portion of the plan in 2003 or 2002. The Corporation made payments of $0.2 million to the United States defined benefit plan in 2003 and nil in 2002.

10. Commitments and Contingencies

a) Çayeli

Groundfall Event

In October 2002, several falls of ground at the Çayeli mine resulted in an interruption to the normal production schedule as well as additional expenditures incurred to repair and rehabilitate the mine. Çayeli notified its insurer of its claims under a business interruption and property damage insurance policy for losses arising from the interruption to the production and the property damage caused by the falls of ground. Çayeli incurred a total of U.S.$13 million for standby and rehabilitation costs. It also recorded an insurance receivable of U.S.$11 million, of which U.S.$7.5 million was received prior to December 31, 2003. The extent of the insurance coverage has not yet been finalized.

Purchase of Teck Cominco Madencilik Sanayi A.S.

In April 2003, Çayeli agreed to purchase from an associated entity of Teck Cominco Limited, all of the shares of Teck Cominco Madencilik Sanayi A.S. ("TCM") for U.S.$11 million. TCM owns the Cerattepe copper property, located in Turkey. Closing of the transaction is awaiting completion of definitive documentation and filings with agencies of the Turkish government and is expected to occur during the first quarter of 2004. Under the terms of the purchase and sale agreement, the purchase price will be paid in three installments. The first installment of U.S.$2 million is to be paid at closing; the remaining two installments of U.S.$4.5 million each are optional. Should Çayeli decline to pay the second and third installments, it must reconvey the shares of TCM back to the vendor.

Capital Commitments

Çayeli has executed a construction contract with a third party contractor for a shaft deepening project. The contract price is U.S.$14 million.

b) Ok Tedi

1996 Settlement Agreement

Ok Tedi and BHP Billiton were co-defendants in legal proceedings commenced in the State of Victoria, Australia alleging breach of a 1996 settlement agreement relating to earlier claims for damages arising from the environmental impacts of the mine. Both actions against Ok Tedi have now been dismissed and the plaintiffs have agreed that at all times Ok Tedi complied with the 1996 settlement agreement. All parties have vacated claims for legal costs and in dismissing the actions, the court made no further orders as to costs.

Ninth Supplemental Agreement Act

One of the litigants in the State of Victoria proceedings and the Leader of the Opposition at the time (now the Prime Minister of Papua New Guinea) filed a petition with the Supreme Court of Papua New Guinea in late 2002 to challenge the constitutional validity of aspects of the Ninth Supplemental Agreement Act passed by the National Parliament of Papua New Guinea. Both plaintiffs have transacted notices of discontinuance in this matter.

Community Mine Continuation Agreements

Communities affected by the operation of Ok Tedi gave their consent to its continued operation under community mine continuation agreements ("CMCAs") between each such community and Ok Tedi. Under the CMCAs, Ok Tedi and its shareholders are released from claims relating to future environmental impacts and Ok Tedi will provide approximately U.S.$47 million (Inmet's proportionate share amounts to U.S.$8.5 million) in compensation to affected communities over the remaining mine life as long as the mine is in operation.

Minimum Lease Payments

The Corporation's share of Ok Tedi's future minimum lease payments under operating leases for property and equipment are as follows:

(thousands of Canadian dollars)	
2004	**$ 6,375**
2005 – 2006	**5,323**
2007 – 2008	**11,948**
Thereafter	**2,340**
Total	**$ 25,986**

c) Other

The Corporation maintains letters of credit amounting to approximately $15 million as at December 31, 2003. These instruments provide financial assurance with respect to both performance and financial obligations of the Corporation relating to environmental and other matters. The liabilities to which the majority of these instruments relate have been accrued in reclamation liabilities (note 6). In 2002, the Corporation obtained a U.S.$10 million secured letter of credit facility, which covers the majority of the Corporation's letters of credit. The letter of credit facility is secured with the same provisions as the revolving credit facility (note 5). The Corporation's remaining letters of credit are unsecured.

11. Convertible Debentures

The convertible debentures have been segregated into their debt and equity components as at December 31, as follows:

(thousands of Canadian dollars)	Note	**2003**	2002
Debt component	5	**$ 9,908**	$ 12,020
Equity component, net of unamortized issue costs of $0.7 million (2002 – $0.9 million)		**$ 45,260**	$ 41,171

The financial liability component representing the present value of future interest payments is included in debt. The remaining component representing the value ascribed to both the holders' option to convert the principal balance into common shares and the Corporation's right to pay the principal amount of the debenture in common shares is classified in shareholders' equity. These components have been measured at their respective fair values at the date the convertible debentures were originally acquired.

The convertible subordinated debentures mature on September 30, 2007 and are direct unsecured obligations of the Corporation, are subordinated to all other indebtedness of the Corporation and have a face value of $64.1 million. The sum of the liability and equity components, net of issue costs, is $8.2 million (2002 – $10.0 million) less than the face value. This amount, which represents the unamortized difference between the market value and the face value of the debentures when the Corporation acquired the issuer of the debentures, is accreted as a charge to equity over the remaining term of the instrument, of which $1.8 million (2002 – $1.6 million) was charged in 2003. Interest is paid at a rate per annum equal to the greater of (i) five per cent and (ii) one per cent plus the percentage that two times the dividends paid on the common shares in the six months ended on the date six months prior to the interest payment date is of the conversion price.

The debentures are convertible into common shares of the Corporation at the holders' option any time before the earlier of September 29, 2007 and the last business day before the date specified for redemption, at a conversion price of $21.25 for each common share. The Corporation may adjust the conversion price to $23.85 provided that the Corporation also fixes the interest rate at six per cent per annum. The debentures are currently redeemable by the Corporation at par.

The Corporation may elect to pay the principal amount of the debentures outstanding at maturity in common shares of the Corporation valued at their average closing market price for the 30 trading days prior to maturity.

Interest expense on the liability component is recorded at an effective interest rate of 9.5 per cent and was $1.1 million in 2003 (2002 – $1.3 million). The equity component of the convertible debentures is being accreted to the maturity value at the same effective interest rate through periodic charges to retained earnings. The accretion on the equity component was $2.3 million in 2003 (2002 – $2.1 million). The Corporation paid interest of $3.2 million in both 2003 and 2002. In certain limited circumstances, the Corporation may elect to pay interest in the form of common shares of the Corporation.

12. Share Capital

Authorized:

Unlimited number of preferred shares.
Unlimited number of subordinate voting participating shares.
Unlimited number of common shares.

Issued:

(in thousands)		**2003**		2002	
	Note	**Common Shares**	**Amount**	Common Shares	Amount
Balance, beginning of year		**39,283**	**$ 227,372**	35,276	$ 215,678
Issued during the year:					
Acquisition of Pyhäsalmi, net of costs	12(a)	**–**	**–**	4,000	11,671
Other		**65**	**310**	7	23
Balance, end of year		**39,348**	**$ 227,682**	39,283	$ 227,372

a) In 2002, four million common shares were issued to Outokumpu Oyj as part of the consideration for the purchase of Pyhäsalmi. The value of the four million common shares issued was determined based on the average market price of the Corporation's common shares over a 10 day period before and after the terms of the acquisition were agreed to and announced on December 19, 2001 to be $2.93 per share.

b) At December 31, 2003, the Corporation has outstanding share purchase loans receivable, in the amount of $0.6 million (2002 – $1.2 million), from certain current and former officers and directors, included in other assets.

c) The calculation of basic and diluted net income per share is detailed in the following tables:

For the year ended December 31, 2003

(thousands, except share amounts)	**Income**	**Weighted Average Number of Shares**	**Per Share Amount**
Basic net income per share:			
Net income	**$ 179,497**		
Accretion on equity component of convertible debentures	**(4,089)**		
Income available to common shareholders	**175,408**	**39,309**	**$ 4.46**
Diluted net income per share:			
Effect of dilutive convertible debentures	**3,161**	**3,016**	**(0.24)**
Effect of dilutive stock options	**–**	**1,800**	**(0.17)**
Effect of dilutive deferred share units	**–**	**450**	**(0.04)**
	$ 178,569	**44,575**	**$ 4.01**

For the year ended December 31, 2002

(thousands, except share amounts)	Income	Weighted Average Number of Shares	Per Share Amount
Basic net income per share:			
Net income	$ 7,330		
Accretion on equity component of convertible debentures	(3,756)		
Income available to common shareholders	3,574	38,447	$ 0.09
Diluted net income per share:			
Effect of dilutive stock options	–	1,123	–
	$ 3,574	39,570	$ 0.09

In 2003, all the options to purchase common shares were included in the computation of diluted net income per share because the average market price of the common shares in 2003, of $8.47 per share, was greater than the exercise price of all the options. In 2002, options to purchase 790,000 common shares were excluded from the computation of diluted net income per share because the exercise price of the options was greater than the average market price of the common shares in 2002, of $5.13 per share. In 2003, the conversion of the convertible debentures was dilutive to net income per share because of the substantial increase in net income.

13. Stock Based Compensation

For the years ended December 31, stock based compensation expense includes the following:

(thousands of dollars)	Note	**2003**	2002
Stock options	13(a)	**$ 2,522**	$ 4,032
Deferred share units	13(b)	**–**	1,226
		$ 2,522	$ 5,258

a) Under its stock option plans, the Corporation may grant non-assignable options to purchase common shares to directors, officers and certain key executives of the Corporation and its affiliates. Any such option will have an exercise price not less than the closing price on the trading day of the date of grant. Under the Corporation's treasury stock option plan, the options vest over a four year period from the date of the grant and are exercisable over a period of not more than 10 years. Under the Corporation's supplementary stock option plan, the options vest over a four year period from the date of the grant and are exercisable over a period of not more than six years. As of May 2003, shares in respect of which options are exercised are issued from treasury shares.

Both stock option plans provided that stock appreciation rights ("SARs") may be granted in connection with options. SARs may be exercised in lieu of an option and give the holder of an option the right to receive cash or common shares of the Corporation equal in value to the difference between the exercise price of an option and the market price of the common shares subject to an option on the date on which the SARs were exercised. At the end of 2002, the Corporation's option holders waived the SAR

feature on the majority of the outstanding stock options. Compensation expense for 2002 of $4.0 million reflects the difference between the option price and the market value of vested options on the date the SARs were waived or December 31, 2002, for those remaining options with the SAR feature. Compensation expense in 2003 includes $0.1 million in relation to the options with the waived SARs and $2.4 million in relation to options with SARs to reflect the appreciation in the share price from December 31, 2002 to December 31, 2003. In 2002, jointly with the signing of the waivers, the liability in relation to the SARs in the amount of $3.8 million, representing the cumulative expense less options exercised, was reclassified to shareholders' equity.

On January 1, 2004, the remaining option holders with the SAR feature waived their rights to the SAR feature and the liability in relation to the SARs in the amount of $2.5 million was subsequently reclassified to shareholders' equity.

Changes to stock options outstanding for the years ended December 31 are as follows:

Treasury Plan	**2003**		2002	
	Options	**Weighted Average Price**	Options	Weighted Average Price
Balance, beginning of year	**2,271,000**	**$ 3.62**	2,316,000	$ 3.59
Options exercised	**(70,000)**	**$ 2.82**	(39,500)	$ 2.38
Options terminated	**–**	**$ –**	(5,500)	$ 2.32
Balance, end of year	**2,201,000**	**$ 3.64**	2,271,000	$ 3.62

Supplementary Plan	**2003**		2002	
	Options	**Weighted Average Price**	Options	Weighted Average Price
Balance, beginning of year	**785,500**	**$ 2.39**	808,000	$ 2.32
Options exercised	**(21,000)**	**$ 1.82**	(28,000)	$ 1.75
Options granted	**–**	**$ –**	10,000	$ 5.80
Options terminated	**(3,750)**	**$ 2.95**	(4,500)	$ 1.75
Balance, end of year	**760,750**	**$ 2.40**	785,500	$ 2.39

At December 31, 2003, the following stock options were outstanding and exercisable:

Treasury Plan

Outstanding	Exercisable	Exercise Price	Remaining Years Outstanding
780,000	780,000	$ 5.35	4.1
160,000	160,000	$ 3.25	4.8
225,500	225,500	$ 3.00	5.3
2,500	2,500	$ 2.60	5.9
390,500	289,250	$ 2.75	6.1
260,500	188,000	$ 1.75	6.9
25,000	12,500	$ 2.30	7.5
357,000	178,500	$ 2.95	8.0
2,201,000	**1,836,250**	**$ 3.64**	

Supplementary Plan

Outstanding	Exercisable	Exercise Price	Remaining Years Outstanding
368,750	265,000	$ 1.75	2.9
382,000	191,000	$ 2.95	4.0
10,000	2,500	$ 5.80	5.0
760,750	**458,500**	**$ 2.40**	

b) The Corporation has a deferred share unit plan under which the Corporation's directors may elect to receive director fees in the form of deferred share units ("DSUs"), in lieu of cash. Prior to January 1, 2003, on retirement, directors could have elected to redeem their DSUs for cash or common shares of the Corporation. Effective January 1, 2003, the Corporation's directors waived their rights in respect of the stock appreciation rights feature of the DSUs and can no longer redeem their DSUs for cash. As a result, in 2003, the $2.8 million liability associated with the DSUs was reclassified to shareholders' equity and all DSUs will be paid from treasury shares of the Corporation. No further compensation expense for the existing DSUs is expected.

In 2003, upon retirement of a director, 22,539 DSUs were redeemed for common shares of the Corporation. There were 449,928 DSUs outstanding as at December 31, 2003.

In 2002, the Corporation's 472,467 outstanding DSUs were valued at the Corporation's December 31, 2002 share price of $6.00 per share, resulting in an obligation of $2.8 million. The obligation relating to the DSUs was recorded in other liabilities.

14. Foreign Currency Translation Account

At December 31, the foreign currency translation account consisted of the following:

(thousands of Canadian dollars)	2003	2002
Pyhäsalmi	$ 13,586	$ 15,113
Çayeli	(5,154)	2,294
Ok Tedi	(1,989)	–
	$ 6,443	$ 17,407

The change in the foreign currency translation account for the years ended December 31 is as follows:

(thousands of Canadian dollars)	2003	2002
Balance, beginning of year	$ 17,407	$ 2,587
Adjustment arising on translation of foreign subsidiaries into Canadian dollars:		
United States dollar denominated	(9,437)	(293)
Euro denominated	(1,527)	15,113
Balance, end of year	$ 6,443	$ 17,407

The Canadian dollar to United States dollar exchange rate was $1.30 at December 31, 2003, $1.58 at December 31, 2002 and $1.35 at the date of the consolidation of Ok Tedi. The Canadian dollar to euro exchange rate was $1.63 at December 31, 2003 and $1.66 at December 31, 2002.

15. Investment and Other Income

For the years ended December 31, investment and other income is summarized as follows:

(thousands of Canadian dollars)	2003	2002
Net proceeds from Troilus litigation	$ 109,618	$ (354)
Net proceeds from the sale of Antamina NPI (note 2)	31,199	–
Net proceeds from the sale of Jaguar (note 2)	1,966	–
Interest, dividend and other income	2,607	3,989
Foreign exchange gain	3,524	319
Pension expense (note 9)	(1,233)	(1,242)
Other	1,233	1,217
	$ 148,914	$ 3,929

On November 14, 2003, the British Columbia Court of Appeal dismissed an appeal by Homestake Canada, Inc. and affirmed a B.C. Supreme Court judgment that awarded the Corporation $88.2 million and costs in connection with Homestake Canada's failure to complete the purchase of the Troilus mine. The Court of Appeal also allowed the Corporation's cross-appeal and awarded the Corporation pre-judgment interest on the $88.2 million. A settlement of the judgment award was received in late 2003 and, after deducting litigation related costs, a total of $109.6 million was reflected in 2003 earnings.

The foreign exchange gain resulted primarily from holding United States dollar denominated debt in the year as the Canadian dollar was appreciating in relation to the United States dollar.

16. Interest Expense

For the years ended December 31, interest expense by obligation is summarized as follows:

(thousands of Canadian dollars)	Note	2003	2002
Revolving credit facility	5(a)	$ 1,325	$ 1,958
Convertible debentures	11	1,093	1,280
Promissory note:	5(c)		
Interest paid at 6% face value		1,324	1,004
Amortization to fair value		421	281
Çayeli project financing	5(b)	219	444
Payable to Çayeli non controlling shareholder		462	1,635
Other		851	456
		$ 5,695	$ 7,058

In 2003, the Corporation paid interest of $8.4 million (2002 – $6.1 million).

17. Financial Instruments

Fair Value of Financial Instruments

The carrying value for primary financial instruments, including the carrying value of cash and short-term investments, accounts receivable, accounts payable, accrued liabilities and current portion of long-term debt, approximates fair value due to their short term maturities. The carrying value of long-term debt (other than the debt component of convertible debentures and the promissory note) approximates fair value as it is subject to floating interest rates. The carrying value of reclamation liabilities approximates fair value as the credit-adjusted risk free interest rates used to value the reclamation liabilities are consistent to year end interest rates.

The Corporation holds cash and marketable short-term investments, which are subject to various risks such as interest rate changes, issuer credit worthiness and investment liquidity. These risks are mitigated by restricting both the type and term of securities eligible for investment and by dealing with highly-rated counterparties.

The following table presents the financial instruments with a carrying value different from their fair value at December 31:

(thousands of Canadian dollars)	**2003**		2002	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Publicly traded investments	**$ 108**	**$ 1,326**	$ 108	$ 685
Antamina NPI (note 2)	**–**	**–**	–	31,552
Long-term debt:				
Promissory note	**16,470**	**22,732**	15,316	18,201
Convertible debentures	**7,645**	**8,203**	9,957	9,404

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. The fair value of publicly traded investments is based on quoted market prices. The fair value of the debt portion of convertible debentures is estimated based on discounted cash flows of future interest payments using the December 31, 2003 market yield of the debentures. The fair value of the promissory note is estimated based on discounted cash flows of future interest payments and the principal repayment using the December 31, 2003 market yield of the debentures.

Concentration of Credit Risk

The Corporation's operations enter into their own sales agreements. At Pyhäsalmi, all copper and zinc concentrate sales were sold to one customer and at Troilus approximately 66 per cent of its 2003 net sales were sold to one customer (2002 – 60 per cent). Credit risk exposure is mitigated because the metal concentrate that the Corporation's operations produce can be sold to a significant number of smelters.

Derivative Financial Instruments

The Corporation manages its exposure to changes in commodity prices and exchange rates by entering into derivative financial instrument contracts. The Corporation uses forward sales contracts and option contracts to hedge against changes in commodity prices for a portion of its forecasted gold production. The Corporation uses option contracts to hedge against foreign currency risks.

At December 31, 2003, the Corporation has the following hedging commitments, including its share of Ok Tedi's commitments:

	Hedge Volume	Average Price
Gold		
2004 forward sales	138,700 ounces	U.S.$335 per ounce
2005 forward sales	121,800 ounces	U.S.$345 per ounce
2006 forward sales	116,800 ounces	U.S.$357 per ounce
2007 – 2008 forward sales	20,250 ounces	U.S.$371 per ounce
2004 bought put options	16,200 ounces	U.S.$375 per ounce
2004 sold call options	16,200 ounces	U.S.$461 per ounce
U.S.$		
2004 bought put options	U.S.$18 million	$1.5033
2004 sold call options	U.S.$18 million	$1.5933
2005 bought put options	U.S.$10.5 million	$1.5033
2005 sold call options	U.S.$10.5 million	$1.5933

At December 31, 2003 the unrealized negative marked-to-market of the Corporation's gold hedges was $42 million, based on a U.S.$415 per ounce spot price, and the unrealized positive marked-to-market of the currency hedges was $6 million based on a spot price of $1.30.

Senior Management

Richard A. Ross
Mr. Ross is President and Chief Executive Officer and a director of Inmet. Prior to January 2000, Mr. Ross was Executive Vice-President and Chief Financial Officer and has held positions of increasing responsibility since joining the Corporation in 1989. He is also First Vice-Chairman of the Mining Association of Canada, President of the Canadian-Turkish Business Council and serves on the board of St. Joseph's Health Centre Toronto. Mr. Ross is a Canadian chartered accountant (1982).

Jochen E. Tilk
Mr. Tilk is Executive Vice-President and Chief Operating Officer. Mr. Tilk joined Inmet's executive team in 1999. Prior to that time, he held a variety of senior positions at Inmet's operations since he joined the Corporation in 1989, including President of Copper Range Company and General Manager at Winston Lake. Mr. Tilk is a mining engineer and holds a masters degree in engineering from the University of Aachen, Germany.

Steve Astritis
Mr. Astritis is Vice-President, General Counsel and Secretary and joined Inmet in that capacity in July 2001. Previously, he was Associate General Counsel and Assistant Secretary at Noranda Inc. Prior to joining Noranda in 1993, Mr. Astritis was an associate with Meighen Demers, a Toronto business law firm. He was called to the Ontario Bar in 1988.

Frank Balint
Mr. Balint is Vice-President, Corporate Development. He has worked with Inmet and its predecessor companies since 1978. Mr. Balint is a licensed member of the Association of Professional Engineers and Geoscientists of British Columbia, the Association of Professional Engineers, Geologist and Geophysicist of Northwest Territories and the Association of Professional Geoscientists of Ontario.

Oliver R.E. Merton
Mr. Merton is Vice-President, Commercial. Prior to joining Inmet in 1994, Mr. Merton was Assistant Vice-President of trade services at Metallgesellschaft AG in Frankfurt, Germany. Mr. Merton holds a masters degree in business from Trinity College, Dublin, Ireland.

Jo-Anne Oswald
Ms. Oswald is Vice-President, Finance and Chief Financial Officer. Before assuming this position in January 2001, she has held positions of increasing responsibility since joining Inmet in 1989. Prior to this, Ms. Oswald worked at PricewaterhouseCoopers. Ms. Oswald is a Canadian chartered accountant (1988).

Craig Ford
Dr. Ford is Director, Safety, Environmental and Community Affairs. He assumed this position in 2000 after joining Inmet from Cyprus Climax Metals Company. Dr. Ford holds a Ph.D. in geology from the Colorado School of Mines (1993).

Wendy Kaufman
Ms. Kaufman is Controller. She assumed this position in April 2000 and prior to that time she held positions of increasing responsibility with Inmet. Before joining the Corporation in 1994, Ms. Kaufman worked at Deloitte & Touche. Ms. Kaufman is a Canadian chartered accountant (1991).

Ian D. Pirie
Mr. Pirie is Director, Corporate Development. Mr. Pirie has worked with Inmet and its predecessor companies since 1980. Prior to assuming his current position in 1999, Mr. Pirie was General Manager, Latin America for Inmet, based in Chile. Before that he held various positions within Inmet's exploration group in Vancouver, Thunder Bay and Winnipeg. Mr. Pirie is a Professional Geoscientist registered in Ontario and British Columbia.

Stuart A. Tevendale
Mr. Tevendale is Treasurer. He joined Inmet in 1994 and worked in various corporate finance positions before he assumed the position of Commercial and Finance Manager at Çayeli in Turkey. After five years in Turkey, Mr. Tevendale rejoined the corporate office in August 2003. Mr. Tevendale is a Canadian certified general accountant (1992).

Corporate Information

CORPORATE OFFICE

Inmet Mining Corporation
330 Bay Street
Suite 1000
Toronto, Ontario, Canada
M5H 2S8
Telephone: +1-416-361-6400

INVESTOR RELATIONS

Financial information such as annual reports, interim reports and other information is available on Inmet's web site: **www.inmetmining.com**.

Copies of the annual reports, interim reports and other corporate publications are also available from our Investor Relations department:

- By mail directed to our Corporate Office
- By email at investor@inmetmining.com
- By fax at +1-416-368-4692
- By telephone at +1-416-860-3968

VERSION FRANÇAISE

Pour obtenir la version française de ce rapport, veuillez communiqer avec le bureau administratif de la compagnie, département des services aux actionnaires.

AUDITORS

KPMG LLP
Chartered Accountants
Toronto, Ontario, Canada

SHAREHOLDER INQUIRIES

Inquiries with respect to changes of address, registration and lost share certificates should be directed to the Stock Transfer Department of CIBC Mellon Trust Company in Toronto, Montreal, Winnipeg, Calgary or Vancouver. Alternatively, our Transfer Agent may be reached at:

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario, Canada
M5C 2W9

Answer Line™: +1-416-643-5500
or toll free in North America at +1-800-387-0825
Fax: +1-416-643-5501
Email: inquiries@cibcmellon.ca
Web site: www.cibcmellon.ca

STOCK SYMBOL

IMN

STOCK EXCHANGE LISTING

Toronto Stock Exchange

COMMON SHARES

(thousands)	**2003**	2002
Average for the year ended December 31	**39,309**	38,447
As at December 31	**39,348**	39,283

ANNUAL AND SPECIAL MEETING

Inmet's Annual and Special Meeting will be held on Thursday, April 29, 2004, at 10:30 a.m. at the TSX Conference Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario, Canada.

www.inmetmining.com